# FINANCIAL TIMES

No. 27,689 Monday October 16 1978 **15p

CONTINENTAL SELLING PRICES: AUSTRIA Sch 15; BELGIUM Fr 25; DENMARK Kr 3.5; FRANCE Fr 3.0; GERMANY DM 2.0; ITALY L 500; NETHERLANDS Fl 2.0; NORWAY Kr 3.5; PORTUGAL Esc 20; SPAIN Pta 40; SWEDEN Kr 3.25; SWITZERLAND Fr 2.0; EIRE 15p



## NEWS SUMMARY

### GENERAL

## Fighting as Arab talks start

Six Arab foreign ministers arrived in Lebanon for peace talks but even as they assembled fresh fighting broke out in east Beirut.

Sporadic explosions and rifle fire between Syrian troops and Christian militias broke the uneasy truce.

In a village outside Beirut, the Arab Ministers, representing countries supplying troops to the peace-keeping force, began their talks with an attempt to find ways of enforcing the cease-fire. Page 2

### Wilson Press probe halted

The Press Council has dropped its inquiry into allegations by Sir Harold Wilson that some national newspapers conducted a smear campaign against him and the Labour Party just before the October 1974 general election. Page 4

### Pope deadlock

Black smoke from the Sistine Chapel chimney indicated that the first two ballots for a new Pope had been inconclusive, though there was some confusion in the waiting crowd of 100,000 when the smoke temporarily turned white.

### Aircraft alert

A British Airways DC 10 bound for London out of Los Angeles was forced to land at Frobisher Bay, Baffin Island, after a bomb alert. A four-hour search revealed nothing.

### 'Civil war' claim

Portuguese Communist leader Alvaro Cunhal has accused the caretaker government of Sr. da Costa of creating a civil war atmosphere in the Alentejo region—where security forces have clashed with farm workers—by handing back collectivised farmland to its previous owners.

### Trudeau's test

Pierre Trudeau's Liberals face a tough test as voters go to the polls in 15 by-elections. The Canadian Prime Minister will retain power whatever the results but the polls provide an important measure of opinion with a general election due by next summer.

### More Iran riots

One person was killed in Tehran during fresh disturbances in the run-up to a possible general strike, which has been called by opposition leaders for today. Twenty people have died so far this month. Page 2

### Blast kills 16

Sixteen people were reported killed when a truck hit a land mine near the Angolan border with Sotuh West Africa (Namibia). The incident happened as delegates from five Western powers gathered in Pretoria for talks on Namibia's future. Page 2

### Non-U's reader

Angela Rippon, the BBC news-reader, pronounces some words — such as "duchess" and "countess" — in a distinctly non-U way, according to a new study of upper-class speech published today by Debrett.

### Briefly . . .

Reg Prentice, former Labour Minister, tonight seeks adoption as Conservative candidate for Moray and Nairn. Page 4

Eight fishermen held for eight months by rebel fighters in Western Sahara arrived home in Madrid.

Six black civilians were among 18 people killed in Rhodesia in the last 24 hours.

Challenger Viktor Korchnoi stood on his head in a public yoga exhibition during a break in the world chess championship.

### BUSINESS

## Company accounts tax rules change

● NEW RULES for the calculation of tax charges in company accounts—which should end years of controversy in the accounting profession, industry and the City—are published today by the Accounting Standards Committee.

The profession's rule-making body has said that in future, companies should provide only for the taxes they actually have to pay. Many companies started doing so after publication of the draft standard in May last year.

Others have stayed with the deferred tax system enshrined in an accounting standard of August 1975—subsequently withdrawn after opposition from the City and industry. Page 6 and Back Page

● INLAND REVENUE Staff Federation meets today to consider stepping up action over a computer manning dispute. Such a move could mean that about £700m of taxes, due for collection this week, would not reach the Government.

Today's talks will determine the federation's response to Revenue plans, which would entail the loss of members involved in computer work to the rival Society of Civil and Public Servants. Back Page

### Grain prices freeze urged

● EEC policy on grain prices has been criticised by UK food and drink manufacturers in a private memorandum to Industry Commissioner Viscount Davignon. They urge a virtual freeze on prices to bring them into line with world grain prices. Back Page

● UK aerospace electronics equipment and component suppliers are bidding strongly against U.S. competition for contracts worth several hundred million pounds on the new Boeing family of jet airliners — the twin-engine short to medium range 757 and 767. Back Page

● MONEY SUPPLY started to expand again in September after a sharp drop the previous month, figures due on Thursday are expected to confirm. Back Page

### TGWU seeks union merger

● TRANSPORT and General Workers' Union has approached steel industry managers with proposals to merge the managers' union — the Steel Industry Management Association — with the TGWU. Page 7

● MORE THAN 700 journalists and production staff at the Daily Record and Sunday Mail in Glasgow, involved in a dispute over pay parity, were told that they had lost their jobs. Page 7

● SOME second-hand ship prices were 25 per cent higher last month than in September last year, according to Lambert Brothers, the London broker. Shipping market report Page 3

● HUMBER bridge workers facing wage cuts unless they meet productivity targets have been defended by Mr. John Baldwin, general secretary of the AUEW construction section. Page 7

### COMPANIES

● CITY INVESTING, the insurance and steel products group, expects earnings this year to rise from $82.5m to $110m or $116m, and a 20 per cent sales increase to about $3.6bn. Page 37

● NOVO INDUSTRI, the Danish pharmaceutical and bio-chemicals company, is to have its shares listed on the London Stock Exchange. Page 39

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### FEATURES



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# Boost for Carter as U.S. Congress passes energy Bill

BY JUREK MARTIN, Washington, October 15

**The U.S. Congress, working round the clock, presented President Carter today with a long overdue Energy Bill, and enacted a $18.6bn tax Bill close to the President's liking.**

The Bill, which Mr. Carter has repeatedly described as the most important item on the Congressional calendar and essential for maintenance of international confidence in the dollar, finally saw the light of day at dawn, 18 months after it had been proposed and in a form far different from the President's first proposal.

The five-part Bill would, according to official estimates, cut U.S. oil imports by 2.5m barrels a day by 1985.

Largely through greater use of domestic natural gas, the U.S. Treasury has suggested that as early as next year oil imports could be reduced by 500,000 barrels a day, a saving at present prices of about $2bn a year.

Mr. Carter, who had cancelled a weekend off at Camp David to assist in the multi-pronged lobbying on Capitol Hill, welcomed the Congressional action as indication that the U.S. was determined to control its own destiny on energy consumption, but warned that the Bill was only the start of "a long road."

The final stamp of Congressional approval of the Energy Bill was taken by the House of Representatives at breakfast time after an all-night session, and only after the Senate had voted to end a filibuster against its enactment by a handful of Senators who claimed it was inimical to consumer interests.

The most controversial aspect of the Bill is the provision ending Federal control over natural gas prices by 1985.

Both Houses then began final work on the equally contentious tax Bill, in the meanwhile passing a fistful of measures of staggering variety, a fair number of which provided the President with substantial political victories.

These included enactment of the Humphrey-Hawkins full employment Bill, much desired by liberals and members of minorities; an Airline Deregulation Bill; and an Education Bill shorn of proposals for tuition tax credits, which Mr. Carter said he could not accept.

The essential ingredients of the tax Bill were hammered out overnight by members of the Joint House-Senate Conference Committee, which was charged with the responsibility of resolving the considerable differences between the House-passed Bill, providing for $16bn in net tax reductions, and the Senate version, which was $13bn higher and which Mr. Carter had warned he would veto.

The end-product of the committee's deliberation was a tax-cut of $18.6bn, rather more than the $15bn the Administration originally hoped for, but so much below the Senate figure that Mr. Blumenthal, the Treasury Secretary, said it was tolerable.

The Administration has made it clear that it could not draw up a concrete version of its promised anti-inflation programme until it was in a position to assess the fiscal impact of the tax Bill.

This programme, which it was hoped would be unveiled early this week, should now be made public inside the next fortnight, perhaps by the end of the week.

The key factor in the tax Bill compromise was acceptance by

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# Prices and low paid may be key in new pay talks

BY ALAN PIKE, LABOUR CORRESPONDENT

TUC LEADERS and Ministers will meet again tomorrow in their continuing search for an understanding on pay policy this winter.

Prices, increased action to help the lowest paid and the way in which wage-drift is interpreted are likely to prove the most fertile areas of discussion. A price pause and stricter monitoring by the Price Commission were among ideas raised at last week's meeting of the TUC economic committee.

Mr. Roy Hattersley, Prices Secretary, played down suggestions that the Price Commission might be given new powers to freeze the prices of companies which break the pay guidelines during an interview on London Weekend Television's Weekend World yesterday.

But he added that if there were to be any change in the commission's role or powers in the coming years it was likely that it would be extended.

Wage rises of 10, 12 or 14 per cent, said Mr. Hattersley, would put employers in a "desperately dangerous position." They would find it difficult to sell abroad, have to lay people off and be pricing themselves out of the market.

During the weekend Mr. Albert Booth, Employment Secretary, warned that the Government's pay policy was an essential part of an overall strategy to ensure that there was not another "inflationary bonfire" while the Prime Minister, in a message to the Labour candidate in the Berwick by-election, stressed the Government's desire to follow the path of co-operation.

However, TUC leaders are continuing their efforts to find the basis for an understanding on anti-inflation policy against an industrial backcloth of mounting pressure in pay negotiations.

It is probable that the eventual settlement to the Ford strike will be at least double the 5 per cent guidelines. When union representatives walked out of negotiations on Friday they had been offered 8 per cent but told that more money was available in return for improved efficiency.

Later this week union negotiators will try to raise British Oxygen's similar-sized offer which has been rejected by representatives of 3,000 workers of the gases division.

Nurses' representatives will today ask Mr. David Ennals, Social Services Secretary, for a 15 per cent "special case" award in addition to last April's 10 per cent Phase Three settlement. The possibility of a special award was conceded during April's negotiations and the claim has support from the management side.

Today the 57,000 strickers at Ford will receive a letter from the management. It will urge them to press their union officials for a return to work now that the company has agreed to free collective bargaining.

# Even chance for crippled tanker

BY ROBIN REEVES

THE FATE of the crippled Greek oil tanker Christos Bitas, threatening serious pollution of the Welsh and Irish coasts, hung in the balance last night.

Pumping operations to off-load some or most of the tanker's 30,000 tons of Iranian heavy crude oil were proceeding smoothly as the vessel was held in tow by the tug Guardsman about 40 miles west of Aberystwyth, about half way between the Welsh and Irish coasts.

If all goes smoothly, the vessel will be in a safe condition by tomorrow afternoon.

With the pumps of the Christos Bitas under water, pumping equipment brought from shore has to be used to off-load the oil, and although this was to have been done at a rate of 200 tons an hour, it is now possible to off-load only 50 tons an hour. The tanker Esso York, standing alongside the stricken Christos Bitas had taken off 1,500 tons by last night, and was relieved by the British Dragoon, which has a 30,000 tons capacity.

Oil dispersant sprayed by a flotilla of tugs and other vessels also showed signs of containing the large oil slick covering 10 miles by 6 which was created when the BP-chartered Christos Bitas struck rocks eight miles off St. David's Head, Pembrokeshire, last Thursday afternoon.

But a break-away oil slick is approaching St. Bride's Bay on the Welsh mainland coast.

However, with the wind freshening to force seven in the Irish Sea after three days of exceptionally calm though foggy weather, there were fears that the rescue could be hampered by deteriorating sea conditions.

The forecast was for gales of up to force eight in the area, which would mean an end to pumping operations and complete destruction for the crippled tanker.

Commander Peter Muirson of the Royal Naval frigate, HMS Eskimo, who is co-ordinating the rescue on the spot, said there was a 50-50 chance of saving the tanker and averting another pollution disaster.

The Department of Trade yesterday alterted the seven member governments of the Bonn agreement on controlling sea pollution to the plight of the Christos Bitas.

By last night about 2,000 tons had been offloaded, but the two pumps brought in especially for the operation from Holland were also used successfully to redistribute the oil in the tanks of the Christos Bitas to ease a starboard list of 18 degrees back to 11 degrees.

Commander Muirson said that his investigations had indicated that the Christos Bita had been off course when it struck the rocks because one of its two navigational aids was not functioning.

# China wants government loans

BY JOHN HOFFMANN PEKING, Oct. 15.

CHINA HAS told a visiting British business delegation that it is ready to consider government-to-government loans to finance its industrialisation and modernisation, in what seems a shift in Chinese economic policy.

The statement was made to a British delegation led by Lord Roll, chairman of London Bankers S. G. Warburg which has left after 12 days of discussions on China's economic development.

Only two weeks ago, Chinese officials told a European Economic Community mission under Herr Wilhelm Hafferkamp, Commission Vice-President, that they were sticking firmly to two basic trading conditions. Firstly, no government-to-government loans. And secondly, no foreign ownership on Chinese soil.

The statement to Lord Roll's delegation, which was not reported by the official Chinese media, could be viewed as an inevitable further relaxation of China's approach to its international trade relations.

Peking has already startled observers by agreeing to adopt most accepted international trading practices—with the two provisos. Mr. Li Hsien-Nien, Chinese Vice-Premier, told a British mission last June: "We will borrow from your banks."

However, the notion of government-to-government loans has been regarded as only a distant likelihood. The fact that China has now expressed willingness to consider this form of financing shows its keenness to use every available source to accumulate development funds as quickly as possible.

Lord Rolls' mission included Warburg, British Aerospace, BP, Metal Box, Massey-Ferguson and other prominent companies.

● A British Shipbuilders' mission said in Hong Kong that it had taken "the first step toward co-operation" with China's shipping industry during a highly successful 10-day visit.

Admiral Sir Anthony Griffin, Chairman of British Shipbuilders, said: "The Chinese would like to co-operate on research and technical development in modernising shipyard technology and we believe there is great scope in this."

# Vote hits trade talks in Geneva

By Our U.S. Editor

WASHINGTON, Oct. 15.

A MAJOR OBSTACLE to the successful conclusion of the international trade talks in Geneva was created today when the House of Representatives rejected a Bill, one of whose clauses, would have extended President Carter's authority to waive imposition of countervailing duties on imports beyond January 1.

It had appeared earlier that the two houses of the U.S. Congress had successfully thrashed out a compromise to the controversial new sugar pricing Bill, to which the waiver amendment was attached.

This would have extended the President's waiver authority until February 15 next year, in effect leaving it up to the next Congress, which convenes in January, to work out a longer extension.

But although the sugar Bill, with the amendment, passed the Senate this morning, it was surprisingly rejected in the House this afternoon by 17 votes.

The objections to it centred mostly on its sugar provisions, not the trade clause, on the grounds that American sugar producers were being given inadequate support.

The Democratic leadership in Congress, aided and abetted by the Administration, were this afternoon frantically seeking ways of taking the amendment on to some other piece of legislation before Congress adjourned the current session later today, once it completes deliberation on the Tax Bill.

Failure to extend the Presidential authority would raise the threat of sharp confrontation between the U.S. and the European Community.

At stake are something like $100m-worth of processed agricultural goods which the EEC exports to the U.S. annually.

The U.S. having considered that these goods receive the benefit of improper subsidies but, in the interests of successfully concluding a new multinational trade agreement in Geneva, has waived the imposition of the countervailing duties that U.S. law requires, under the waiver authority given to the President in the 1974 Trade Act.

The Administration was far from happy that Congress chose to tack the waiver amendment to the Sugar Pricing Bill, if for no other reason than that at one stage it seemed probable that the President would be compelled to veto the Sugar Bill.

But the pricing provisions of the Sugar Bill, which gives domestic producers return of 15.75 cents a pound, is low enough for Mr. Carter to accept. Administration officials said this morning.

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# UK seeks currency concessions

BY PHILIP RAWSTORNE

THE GOVERNMENT will need substantial concessions and guarantees from its EEC partners if it is to join the proposed European Monetary System.

This will be made plain by Mr. James Callaghan and his senior economic Ministers as they enter a tough series of negotiations at meetings this week in Bonn and Luxembourg.

One of the main demands likely to figure again on the Government's list is a radical reform of the Common Agricultural Policy.

Government scepticism about the Franco-German proposals appears to have been confirmed by the series of detailed discussions among Ministers last week of Treasury analyses of the scheme.

Mr. Callaghan is to have a further meeting of the Ministers involved as well as the full Cabinet before leaving for his talks with Chancellor Schmidt in Bonn on Wednesday.

The Prime Minister is said to be armed with an array of questions about technical and practical aspects of the scheme to put to the West German Chancellor.

These questions, in general, seek assurances on three major issues involved in establishing the new monetary system:

1—The durability of the scheme. Ministers are anxious to avoid a repetition of the experience with the "snake" which began to collapse only a few months after being established.

## Action

In this connection, the Government view is that provision should be made for adequate credit facilities to allow effective intervention. Emphasis is also placed on the need to encourage a gradual convergence of the Nine's economies rather than on trying to preserve fixed parities when the economies are out of step.

2—Action to ensure that the system does not hinder economic growth. British Ministers are anxious that the scheme promotes growth as well as currency stability.

For this purpose, they believe it is essential that there should be an equal obligation on currencies with stronger currencies to reflate as there would be on those with weaker currencies to deflate.

Ministers consider that the current proposals lack this necessary balance.

3—A more equitable transfer of resources within the EEC.

In the Government's view this is an essential accompaniment to the scheme if it is to achieve currency stability. Without it, "currencies would be going off in all directions" under the pressures of divergent economies.

Ministers point out that Britain is the second largest contributor to EEC finances — and in particular to the common agricultural fund.

Mr. John Silkin, the Agriculture Minister, is to accompany Mr. Callaghan to Bonn and there is little doubt that the British pressure for reform of the Common Agricultural Policy will be vigorously renewed.

Lombard, Page 12

# Finance Ministers meet

By Guy de Jonquieres, Common Market Correspondent

BRUSSELS, Oct. 15.

A NEW ATTEMPT will be made by EEC Finance Ministers in Luxembourg tomorrow to define a precise formula for the exchange rate mechanism to be used in the planned European Monetary System and the size and composition of the credit facilities which will underpin it.

When the Ministers last met a month ago all except Mr. Denis Healey, Chancellor of the Exchequer, appeared inclined to accept a compromise exchange rate formula suggested by Belgium. It had already been backed by Chancellor Schmidt of Germany and President Giscard d'Estaing of France when they met earlier in September.

Since then, however, detailed study by national experts on the EEC Monetary Committee has revealed significant differences over the way in which the formula should operate.

These bear notably on how responsibility for managing tighter exchange rate disciplines should be divided between strong and weak currencies and the degree of compulsion to be applied to countries to intervene or change economic policies when their currencies get out of line.

On most of these questions Britain and Germany stand at opposite ends of the debate.

Mr. Healey has insisted repeatedly that the planned EMS arrangements must ensure that the constraints imposed on weaker currency countries are balanced by an obligation on surplus countries to take reflationary measures and adjust their exchange rates upwards when their currencies are under pressure. He has said that the UK is not interested in joining an enlarged D-mark zone.

Continued on Back Page

OVERSEAS NEWS

# Rhodesia leaders 'ready to attend all-party talks'

SAN DIEGO, Oct. 15.

MR. IAN SMITH, the Rhodesian Premier said at the weekend that *he and his three black colleagues* on the ruling executive Council are willing to attend an all-parties conference on the country's future without pre-conditions.

It was the first time Mr. Smith had said that Bishop Abel Muzorewa, Chief Jeremiah Chirau and the Rev. Ndabaningi Sithole would all attend a conference of *interested parties without setting* conditions.

Mr. Smith was making a luncheon speech to a group of American editors and newspaper publishers. He was accompanied by the Rev. Sithole. This was the first indication that all members *of the ruling bi-racial* Executive are willing to confer with the guerrilla leaders Mr. Robert Mugabe and Mr. Joshua Nkomo who lead the Patriotic Front, which is waging a bush war against the Salisbury Government.

"Since I've been here . . . spokesmen and even President Carter are saying that we are standing in the way of an all-parties conference." Mr. Smith said. "We and our two other colleagues are willing to attend such a meeting," he continued, adding. "We *believe also that* there should be no pre-conditions."

*Mr. Smith and the other* members of Rhodesia's Executive Council are visiting the U.S. in an effort to drum up support for their internal settlement of the Rhodesia dispute.

On Thursday last. Mr. Smith said he and Mr. Sithole would attend an all-parties conference without pre-conditions, providing there were no pre-conditions set *by the other parties.*

An American official, speaking to reporters aboard the aircraft carrying Mr. Cyrus Vance, the U.S. Secretary of State to Pretoria, South Africa, from Washington, said Mr. Vance had directed State Department officials to contact Mr. Smith to discuss these remarks.

Agencies

Martin Dickson adds: The willingness of the Rhodesian *government to attend an all* party conference represents some forward movement for *Britain and the United States,* since for months now one of the main stumbling blocks to such a conference has been the refusal of the Salisbury partners to attend.

However, there are still no signs that an all party conference *would bridge the huge gulf that* divides Mr. Smith and his colleagues from the Patriotic Front guerrilla alliance.

Despite this gulf, Britain and *the United States have continued* to work for an all party conference and at one time intended *to hold one in New York this* month. However, this plan fell through, not least because of strong opposition to it from Tanzania and Mozambique.

# Namibia compromise hopes dim

BY QUENTIN PEEL

PRETORIA, Oct. 15.

THE WESTERN Foreign Ministers attempting to break the current deadlock between South Africa and the UN over a peaceful settlement in Namibia *(South West Africa) met here* today to finalise their strategy for two days' of critical negotiations with the South African Government.

Dr. David Owen, the British Foreign Secretary, Mr. Hans-Dietrich Genscher of West Germany and Mr. Donald Jamieson of Canada flew into the South African capital this morning from the Namibian capital of Windhoek, where they *had discussions with leaders of* the territory's internal political parties.

Mr. Cyrus Vance, the U.S. Secretary of State, and M. Olivier Stirn, the deputy French Foreign Minister, arrived yesterday.

*Western officials were at pains* to emphasise the slim prospects for success in the forthcoming talks, without entirely ruling out hope of some movement towards *a compromise over South* Africa's decision, in defiance of the UN plan for supervision and control, to press ahead with unilateral elections.

The talks in Windhoek, which culminated in a meeting with the Democratic Turnhalle Alliance, the principal party pressing for the South African-sponsored elections, failed to *produce any material shift in the* attitudes of the internal political parties.

The Western-South African summit here ran into its first upset *tonight* when a South African official announced that the Western Ministers would spend the greater part of the first morning in consultation *with Judge M. T. Steyn, the* South African Administrator General, in Windhoek.

The official said the talks would open with Mr. P. W. Botha and Mr. R. F. Pik Botha, along with Foreign Affairs officials. *After 10 a.m., however, they* would carry on with Judge Steyn.

Western spokesmen immediately rejected the idea as not having been agreed. "We are meeting with the leadership, of which he is a subordinate part." Mr. Hodding Carter, the U.S. State Department spokesman, said. "There is no particular reason for an individual meeting with him. We have not asked for an individual meeting."

There appear to be some differences of emphasis within Western ranks on the tactics at the coming talks, with Canada's Mr. Donald Jamieson taking a more outspoken line on the *prospect of sanctions. However,* observers here believe this could be a deliberate negotiating tactic agreed among the five. The attitude of France is more equivocal, with French officials suggesting that they too feel the threat of sanctions should be *more openly used.*

British officials suggest that there are two alternative scenarios for the talks here tomorrow and Tuesday. If it is *true that South Africa wants* quick elections and a DTA victory assured, without the danger of SWAPO participation, then they admit there is no hope *of success. Dr. Owen openly* warned against "rigged elections" on his arrival in Windhoek.

If, however, South Africa proves genuinely prepared to return to a negotiated solution, then they suggest there is room *for some flexibility within the* UN plan now accepted by the Security Council.

**Mr. Julius Nyerere the President of Tanzania summoned East European ambassadors for discussions yesterday on Southern Africa generally and particularly the situation in Rhodesia, Reuter reports from Dar es Salaam. The talks lasted one hour. Last week the President summoned the ambassadors of Cuba, the U.S., Britain and the Soviet Union for similar talks.**

# Afghan aim is 'full socialism'

By David Satter

KABUL, Oct. 15.

MR. HAFIZULLAH AMIN, the Afghan Foreign Minister and Deputy Premier, said today that the goal of his revolutionary Government is the creation of a fully socialist society with a *collectivised agriculture and the* elimination of the private retail sector.

In an interview with the Financial Times, Mr. Amin stressed that socialism would be built gradually, voluntarily and with*out violence.*

"The working class order has been consolidated," he said. "I have every confidence that within the next 10 years Afghanistan will be a very advanced, blossoming and completely new country."

*Dismissing Western fears of in*creased Soviet influence in Afghanistan as a "fabricated threat," he said Afghanistan was proud of its political independence. Soviet assistance contributed to development and enabled it to defend its independ*ence as a "strong and non*-aligned country."

Mr. Amin declined to use the term "Marxist-Leninist" to describe the ruling Khalq (People's) *Party but explained: "We are* keen to learn and benefit from scientific principles" in "whatever name they appear."

He dismissed the reported disturbances in the eastern provinces as the work of "fanatic religious people" influenced by propaganda of "agents of imperialism and reaction."

*Government representatives* had been assassinated in localities outside Kabul by the Akhwani, the Moslem reactionaries against whom the *Government has declared Jihad* (holy war).

In general, however, Mr. Amin saw no conflict between the tenets of socialism and Islam: "We sincerely have a profound respect for Islam. There are many Moslems in socialist countries and they are practising their faith."

He said that arrests of political opponents ended "long ago" and less than 100 people were now in custody, most of whom would be released. Well-informed diplomatic sources, however, put the number of arrested in the thousands.

Although revolutionary violence was sometimes required, "violence in Afghanistan is not necessary if agents of imperialism and of foreign enemies leave *us to ourselves." Jihad against* the Akhwanis did not mean their physical elimination.

# Arab foreign ministers seek peace course for Lebanon

BY IHSAN HIJAZI

BEIRUT, Oct. 15.

SEVEN ARAB states began a *conference here today in a fresh* attempt to stabilise the eight-day-old ceasefire and chart a course for solving the *Lebanese crisis.*

The meeting, which convened at the historic palace at the mountain resort of Beiteddin, some 20 miles south-east of Beirut, is attended by the Foreign Ministers of Saudi Arabia, Syria, Kuwait and *Lebanon, as well as representa*tives from Qatar, the United Arab Emirates and The Sudan.

On the agenda is the future and status of the Arab League "deterrent force" which was *sent here two years ago to end* the civil war. Informed sources said the conferees are expected *to extend the force's mandate for* six months more. The present mandate is due to expire by the end of this month.

A main consideration is the move by President Elias Sarkis to lessen Syrian domination on the force. About 30,000 Syrian *troops provide the backbone of* the force, which includes two battalions from Saudi Arabia, one from the Sudan and one from the United Arab Emirates.

● L. Daniel reports from Jerusalem: The Israel Cabinet met today to be briefed by Premier Begin on the contents of the U.S. draft for the peace treaty between Egypt and Israel and the initial negotiations in Washington.

● AP reports from Cairo: Iraq has postponed the Arab Foreign Ministers' meeting scheduled to be held in Baghdad next Saturday, *the newspaper Al Ahram re*ported Sunday. The summit was called to discuss Arab action in *the aftermath of the Camp David* accords.

# Belgium looks to former premier

BY GILES MERRITT

BRUSSELS, Oct. 15.

*A FORMER* Belgian Premier, M. Paul Vanden Boeynants, is expected to return shortly as successor to M. Leo Tindemans, who last week resigned the premiership.

M. Vanden Boeynants is due to tell King Baudouin tomorrow *whether he can form a new* coalition government without calling a general election. The signs so far are that M. Vanden Boeynants who was M. Tinde*man's Vice-Premier and Defence* Minister, could engineer a com*promise that would allow the* ruling Flemish-Walloon six-party coalition to be resumed.

M. Vanden Boeynants, 59, was one of Belgium's youngest prime ministers when he first took office, but his short-lived government was brought down in 1968 *by the same intractable Flemish*-Walloon rivalry that last week forced M. Tindemans's resignation.

M. Vanden Boeynants is president of the French-speaking Parti Social Chretien (PSC) that is *equivalent to M. Tindemans's* own Christian Volks Partei (CVP), and paradoxically it is hoped that he will thus be able to avoid the CVP opposition that finally defeated M. Tindemans.

Resentment inside the CVP over details of M. Tindemans's *plan for splitting Belgium into* three separate administrative regions — Dutch-speaking Flanders, Francophone Wallonia and a mixed but largely French-dominated Brussels area — contributed to M. Tindemans's fall.

# Further strike called in Iran

TEHRAN, Oct. 15.

IRANIAN Moslem religious *leaders have called for a nation*wide business shutdown tomorrow in memory of the more than 100 anti-Government dissidents killed last month in a clash with *security forces in Tehran,* according to Press reports here.

As the strife continues, one person was killed and two were wounded Saturday night when a *demonstration was broken up in* the city of Mashad, east of Tehran, according to the newspaper Kayhan.

Iran's official news agency said police fired tear gas to disperse about 4,000 demonstrators. Official reports of the incident mentioned no deaths.

The strike call was issued by five leading clergymen, including Ayatullah Shariatmadari, internal leader of Iran's Shi'ite sect, the largest in the country. All businesses were asked to close for the day and students and teachers were requested to boy*cott classes to observe the 40th* day after what has become known as "Black Friday."

The anniversary refers to the *September 8 shooting of anti*-government protestors during a demonstration in Tehran. About 1,000 dissidents had staged an illegal march just hours after the government declared martial law in Tehran and 10 other cities because of continuing civil unrest. *About 120 persons were* killed and 200 wounded when troops fired into the crowd.

Meanwhile, exhiled Iranian moslem leader Ayatullah Khomaini stayed away from a weekend rally in his honour in Paris, apparently obeying orders from French authorities to stay out of central Paris and abstain from political activity.

Police posted guards around the Ayatulla's residence in suburban Paris to keep away supporters who converged on his home.

AP

# Brazil elects President

BY DIANA SMITH

RIO DE JANEIRO, Oct. 15.

BRAZIL'S ELECTORAL college today elected General Joao Baptista Figueiredo President by 355 votes to 226.

The opposition candidate, General Euler Bentes Monteiro, had not been expected to win, since the opposition Brazilian Democratic Movement holds only 40 per cent of the seats in the college, compared with the 60 per cent share of Arena, the pro-Government party.

In late 1977 Gen. Figueiredo *was chosen by President* Ernesto Geisel, whose term expires next March, to succeed him. Subsequently, the choice was ratified by the Arena convention.

# CSU back in Bavaria State poll

*THE MAJOR West German politi*cal parties were expressing their satisfaction last night with the *results of the State elections in* Bavaria which returned Herr Franz-Josef Strauss's Christian *Social Union to office, and left* both the national and local landscape virtually unchanged, writes *Adrian Dicks in Bonn. Following* last Sunday's narrow coalition Government victory in Hesse, *yesterday's Bavarian result has* ended this year's batch of State elections. Fears expressed at the outset for *the survival of the Free* Democrats, junior partners in the Bonn coalition Government, have turned out to be *unjustified. They* held their own in Bavaria as in Hesse.

The main uncertainty in Bavaria today had been the size of the majority by which the CSU would win re-election. According to preliminary results, Herr Strauss's party won just under 60 per cent with the Social Democrats taking 31.3 per cent, the FDP advancing to 6 per cent from 5.2 per cent, and minor parties taking the balance.

Herr Strauss, withdrawing from the Bundestag in Bonn, will be the next State Premier of Bavaria.

## Envoy for Jordan

The U.S. State Department is sending a special envoy to talk to King Hussein of Jordan about *the Middle East* peace plan being negotiated by Israel and Egypt behind closed doors in Washington, Reuter reports. Assistant Secretary of State, Harold Saunders, will carry answers to questions posed by King Hussein in a recent television interview. The King's queries concerned the fate of the Palestinians in a Middle East settlement and the pace of eventual Israeli withdrawal from the occupied West Bank.

## N. Yemen coup bid

North Yemen yesterday foiled a "desperate attempt" at creating dissension and confusion in the country, a Government official said, Reuter reports from Sanaa. The spokesman said the organisers of the attempt were arrested after it was crushed. The organisers have been referred to a military court for *trial, and their accomplices will* be tried by the State security court, the official said.

## Jamaican devaluation

*The Jamaican dollar has been* devalued by its monthly 1 per cent, taking the rate of exchange *to 1.66 against the U.S. dollar,* Reuter writes from Kingston.

Devaluation takes place regularly in keeping with the conditions of a $240m extended facility agreed between Jamaica and the International Monetary Fund.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription $365.00 (air freight) $365.00 (air mail), per annum. Second class postage paid at New York, N.Y.

# WORLD TRADE NEWS

## Debut for Soviet trucks at British motor show

BY KENNETH GOODING

TRUCKS FROM the giant Kama river plant in the USSR are to make their debut on the British market this week at the International Motor Show in Birmingham.

It is the first time that on-highway trucks from Russia have been available in the UK although off-highway vehicles have been used by the construction industry for some years.

The new trucks — including an on/off-highway, scow ended dump truck; a chassis cab for general purpose bodies; and a tractor unit—are to be sold in the UK by UMO Plant.

Sales manager Mr. Alan Brody said at the weekend that the company had modest aims for the newcomers and hoped to sell betwen 70 and 100 units next year. The price would be "only slightly lower than comparable European vehicles to make them an attractive proposition."

Called Kamaz, the trucks are manufactured at Naberezhnyje Cheiny, a town near the geographical centre of the Soviet Union on the banks of the Kama

Daimler-Benz (Mercedes) and Fiat technology has been used at the enormous purpose-built Kama works which consists of an amalgamation of seven different plants which is supposed to be capable of producing 150,000 trucks a year. This compares with Daimler-Benz's output of 61,620 last year, making it the major truck manufacturer in the West, and the biggest U.S. producer, International Harvester's 40,000 units.

Mr. Brady said first examination of the trucks, now being prepared for the Show, certainly revealed the influence of Mercedes and Fiat in their production. In the USSR special attention has been given to making the trucks from standardised parts, units and assemblies so as to help with servicing throughout the world. Some 7½ tons of spares were imported by UMO with the first trucks.

UMO Plant has a turnover of more than £5m. It sells Beluz off-highway dump trucks (at roughly 50 to 100 units a year), Belarus agricultural tractors as well as other capital equipment. UMO also acts as agent-middle man for UK companies wanting to export equipment to the USSR.

## Skoda re-launches Estelle

FINANCIAL TIMES REPORTER

THERE IS to be a £250,000 advertising campaign to re-establish Skoda's Super Estelle car in Britain, the Czechoslovakian group's best market outside the Comecon countries.

Introduced the first time early in 1977, the Super Estelle was criticised by motoring correspondents for its steering and handling characteristics. After discussions with the U.K. Department of Transport, Skoda's UK subsidiary agreed to make modifications.

The modified car, with British shock absorbers, wheels and tyres, was quietly brought onto the market in the summer of this year but now Skoda (GB) is to mount an aggressive promotional campaign. It will run for eight weeks until the end of November.

Mr. Richard Friend, UK car sales manager, says that Skoda's target is to sell around 10,000 cars this year in Britain, 12,000 in 1978 and 13,000 to 14,000 the following year compared with registrations of 9,447 in 1977.

In Czechoslovakia, the present plan is for production of the current rear-engined Skoda range to be continued, with facelifts, until 1982. There is pressure, particularly from West European importers, for a change to be made at that stage to a front-engined vehicle which would have better export prospects.

The Skoda factory, an integrated plant 35 miles north east of Prague at Mladá Boleslav, has a current capacity of around 200,000 units a year and by 1980 this will have improved to 220,000. There have been some suggestions that a new car plant might be built at Bratislava as demand increases.

Currently some £2m of motor components are being exported to Czechoslovakia from the UK and efforts are being made to increase this substantially.

## Footwear talks

By Victor Mackie

OTTAWA, Oct. 15.

STRONG REPRESENTATIONS have been made to the Canadian Trade Minister, Mr. Jack Horner, by Britain's Secretary of State for Trade, Mr. Edmund Dell, to ease the Canadian footwear quotas which are working a hardship on the British boot and shoe industry.



## $175m loan for Oman

By Our Own Correspondent

DUBAI, Oct. 15.

THE ABU DHABI fund for Arab economic development has signed an agreement to lend Oman $175m. The seven year loan carries 4 per cent interest and a three-year grace period, and is to help finance an oil exploration programme in southern Oman. Part of the project will include a pipeline from the southern fields to the northern coast.

The project is to cost a total of $295m and it is hoped that the fields will help boost declining oil revenues.

The Abu Dhabi loan to Oman follows a border dispute between Oman and the United Arab Emirates' most northern emirate, Ras Al Khimah. There has been a constant stream of Omani defence visitors to the UAE capital recently, but there has been no announcement that the dispute has been resolved.

## World Economic Indicators

UNEMPLOYMENT

| | | | | | |
|---|---|---|---|---|---|
| | | Sept. 8 | Aug. '78 | July '78 | Sept. '77 |
| UK* | 000's | 1,378.1 | 1,392.1 | 1,371.2 | 1,446.4 |
| | % | 5.8 | 5.8 | 5.7 | 6.1 |
| West Germany | 000's | 864.3 | 923.9 | 922.0 | 911.2 |
| | % | 3.8 | 4.0 | 4.0 | 4.0 |
| Holland* | 000's | 211.6† | 210.5 | 206.5 | 207.8 |
| | % | 5.3 | 5.3 | 5.2 | 5.4 |
| | | Aug. '78 | July '78 | June '78 | Aug. '77 |
| Belgium | 000's | 270.5 | 272.7 | 264.7 | 258.6 |
| | % | 6.8 | 6.8 | 6.6 | 6.3 |
| France | 000's | 1,157 | 1,094 | 1,039 | 1,216 |
| | % | 5.0 | 5.0 | 4.7 | 5.5 |
| U.S.* | 000's | 6,002 | 6,193 | 5,754 | 6,900 |
| | % | 6.0 | 6.2 | 5.7 | 7.1 |
| | | June '78 | May '78 | April '78 | June '77 |
| Japan | 000's | 1,260 | 1,230 | 1,230 | 1,110 |
| | % | 2.2 | 2.2 | 2.2 | 2.1 |
| | | July '78 | April '78 | Jan. '78 | July '77 |
| Italy | 000's | 1,658.0 | 1,450.0 | 1,520.0 | 1,692.0 |
| | % | 7.5 | 7.2 | 8.0 | 7.9 |

* Seasonally adjusted. † Provisional.

## Mixed results for U.S. mission in Japan

By Richard C. Hanson

TOKYO, Oct. 15.

U.S. OFFICIALS and businessmen at the end of a well-promoted, two week export development mission claimed some success in approaching the market, but made clear they expect more effort from Japan in breaking down import barriers.

Mr. Frank A. Weil, Assistant Commerce Secretary for Industry and Trade, said one out of every four of the more than 100 members has concluded contracts in Japan or has definite prospects, while over half have reported good prospects. One out of five, however, said their chances of profiting from Japan's huge domestic market were slim or very long term. There was no estimate of the value of contracts signed over the past two weeks.

The U.S. appears intent on keeping pressure on Japan, with plans for a steady stream of export promotion groups, official and private, and a major Congressional tour concerned with trade scheduled for later this autumn. This latest mission was led by U.S. commerce secretary, Mrs. Juanita Kreps, who returned early after conferring with Japanese Government leaders. It follows a Japanese group last spring which went to the U.S. to promote imports.

The U.S. companies on the mission found mixed receptions. It was clear that some of the Japanese concerns agreed to meet with the Americans under the pressure of "administrative guidance" from the powerful Ministry of International Trade and Industry (MITI).

There were complaints, for example, that the huge governmental Nippon, Telegraph and Telephone Corp. (NTT), which has raised a lot of capital in international markets, stood as a barrier to U.S. manufacturers of communications equipment.

The Japanese officials who co-ordinated the mission on this side of the Pacific Ocean appeared willing to continue with efforts and talks designed to head off the threat of U.S. protectionism, and bring trade with the U.S. more into balance. Americans, while pleased with the successes of the group, still admit frankly that this mission was just a beginning and that major improvements in access for U.S. goods in Japan will take many years.

## UK-Cuba in trade talks

HAVANA, Oct. 15.

BRITAIN AND Cuba have ended four-day economic talks during which they explored trade expansion, the Prensa Latina news agency reported.

The meetings of the two countries' joint economic commission devoted particular attention to tourism and commodities such as fertilisers, textiles, pharmaceutical products, tin, lead and copper, the agency added. Reuter

## Comecon's steel route to EEC

BY LESLIE COLLITT IN BERLIN

BRITISH STEEL is not alone in its complaints about the high degree of foreign penetration of the home market. In West Germany 36.7 per cent of the apparent consumption of finished rolled products last year was made up of imports, and of these 10.8 per cent came from Comecon countries.

In the first seven months of this year imports made up 38.5 per cent of West German consumption although Comecon's share fell to 7.5 per cent. The handful of companies engaged in large scale steel trading are forced to be especially inventive these days but they are not easily discouraged by what they call "Davignon's quotas."

"If we had closed shop every time some politician interfered with the steel industry," one of the steel traders remarked, "we would have had to shut down in 1945."

He prefers to remain anonymous but said at a recent East European trade fair that much of the steel his company and the others sold to Western Europe up to last year came from Eastern Europe.

The Soviet Union and East Germany were the leading suppliers of Comecon steel to the West followed by Poland and Czechoslovakia. The EEC quotas, however, have now halved the amounts of Comecon steel his company is able to sell to EEC countries. In the UK for example the company sold 100,000 tonnes of East German steel a year but this amount has been cut to 43,000 tonnes.

East Germany has nevertheless been able to sell some DM 77m worth of iron and steel directly to West Germany in the first half of this year as part of inter zonal trade although this is also becoming more difficult as a result of the saturated West German steel market.

"We sell only commercial steel, no special steels. We buy the lower end of the quality range, steel for wheelbarrows, for example," the steel trader said.

Hard currency prices for East European steel he added, are currently half what they used to be. Prices for Comecon steel in the West are also based on the quality produced. The East Germans have the best reputation while the Balkan countries are less quality conscious.

The steel traders are not troubled by the growing Comecon pressures on Western companies to make counter purchases, as they are mainly buyers of Comecon steel. Occasionally, however, they also sell steel to Eastern Europe which is used, for example, in car manufacturing.

"We have even sold steel from one Comecon country to another for hard currency," he explained. Normally it would be traded in barter deals between the East Eurpean countries but "when they are suddenly short of steel they don't care where it comes from."

As a result of EEC quotas the steel trading companies are having to find alternative markets for their steel, such as the Middle East, the Far East and some African countries. At the same time they have had to find other sources of cheap steel for Common Market countries which have not yet been "blacked" by the EEC. Comecon countries insist that purchasers of their steel must not ship it to countries on their political blacklist such as South Africa and Rhodesia.

"We naturally won't upset the apple cart by breaking the embargo," the trader explained. His company, he said, does "several hundreds of millions of dollars turnover a year with anywhere from two fifths to half of this amount in Comecon steel."

He noted that since December steel prices in the EEC had risen by 50 per cent as a result of what he called "the artificial barriers." Now, however, the UK steel market was being "flooded" with steel from other EEC countries.

"Instead of third country steel, British Steel Corporation is getting competition from the French, West Germans and the Italians. BSC simply is not getting the market share it has hoped for," he remarks.

What sort of future does the steel trader have as additional barriers are erected to exclude imports? He has a healthy scepticism about the effectiveness of quotas, noting that "whenever governments make regulation there are loopholes."

He claimed the most important factor in favour of the steel traders was their flexibility. Giant steel corporations in the West, including nationalised ones, were remarkably similar to giant state steel companies in the Communist countries, in that both of them were unwieldy and unable to adjust to fast changing market conditions.

"We are the ones in the middle," he observed. "Between rigid producers and rigid users. We take the greater risk and I think one could say we are reasonably well paid for it."

## Bell Lines' boost to France

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

BELL LINES, the Dublin-based shipping company, expects to almost double the volume of its container services into France this year following the commissioning of a purpose-built terminal at Radicatel, near Le Havre.

The Radicatel facility, which has cost Bell and the Port of Rouen Authority in whose territory it lies, over £2m, is believed to be the first privately-operated container terminal in France.

It took almost four years to complete the development, which was initially resisted by French dockers' unions on the grounds that it could create a precedent for other private facilities.

Under the terms of the agreement between Bell and the unions, the company is able to use a mixture of its own permanent staff and rotating labour from the port's own pool. Manning levels are similar to those achieved in Bell's other private terminals in Ireland, England, Wales and Holland.

Bell Lines started its regular liner service between Britain and France four years ago, but until February of this year was operating at Le Havre's common user container terminal.

Radicatel is 30k up the Seine from Le Havre and is well-connected to the French rail and motorway networks.

Traffic between the UK and France is already up 60 per cent on the same period last year and the improvement is expected to continue.

Most of the growth has come from Northern England and Scotland, notably from the whisky trade, as a result of which Bell Lines has recently made Teesport its main UK terminal for the link with France.

Bell Lines is predicting overall growth of about 10 per cent this year on its seven short sea container routes between the UK, Ireland the Continent. Last year, it carried 1.45m tons of cargo and recorded a turnover of £27.8m. Being a private company, the George Bell group, of which Bell Lines is part, does not disclose profits.

Mr. George Hollwey, chairman of Bell Lines, said that expansion in France, where roll-on roll-off transport services heavily outnumber pure container operations, would absorb most of the company's energies in the next year. In the longer term, there was the possibility of creating similar services into Spain and Scandinavia.

## Malaysia sets up credit insurance unit

KUALA LUMPUR, Oct. 15.

MALAYSIA'S Deputy Prime Minister Mr. Mahathir Mohamad will launch on October 23 the Malaysian Export Credit Insurance Limited, a joint venture *between the public and private* sectors, with the government holding 50 per cent equity. AP-DJ reports.

The 36 commercial banks in Malaysia will hold 40 per cent of the shares while the remaining 10 per cent, will be held by the country's 58 insurance companies.

Marketing Manager Mr. Suhut Mohamed Salih said the company's authorised capital will be $65.2m while its paid-up capital to date was $2.1m. Under the articles of association, the company could give coverage of up to 25 times its paid-up capital.

The company has been set up to give protection to exporters against the risks of non-payments by foreign buyers.

John Wicks adds: Switzerland and Malaysia have signed a transfer credit agreement for the financing of Swiss capital goods exports and services worth a total of Sw.Fr. 60m. The credit, which will be made available by a Swiss banking consortium, is covered by a repayment and interest guarantee of the Malaysian Government. At the same time, the Malaysian Government is to float a Swiss-franc bond loan from October 20 to 26.

SHIPPING REPORT

## Some second-hand prices 23% higher

BY OUR SHIPPING CORRESPONDENT

SOME SECOND-HAND ship prices were 23 per cent higher last month than in September 1977, according to Lambert *Brothers, the London broker.*

A total of 5.5m dwt of shipping was sold for further trading last month, with buyers predominantly from Hong Kong and China. Lambert's latest sale and purchase report says the prospects for the rest of the year depend upon the ability of Far Eastern owners to absorb even more tonnage.

Representative prices at the month end were $44 per dwt for a 250,000 dwt tanker built five years ago; $80 per dwt for a 75,000 tonner; $133 per dwt for a 60,000 dwt bulk carrier and $320 per dwt for a 15,000 dwt shelterdecker, all ships being for prompt delivery.

The improvement in freight markets, which has underpinned these better sale and purchase figures in the last month, continued last week.

VLCCs loading in the Gulf are still attracting Worldscale 45, but there have been sharper advances in Mediterranean and West African markets, where demand has outstripped available tonnage. The result has been WS100 for a 100,000 tonner trading westward from West Africa and a 240,000 tonner Mediterranean-Bahamas fixing at WS55.

Another UK oil major entered the market at the end of the week, raising hopes that these rates, much the best of the year, can be maintained for at least another month.

In the offshore world, Eggar Forrester Offshore notes slackening rates for supply vessels (£1,600 per day for 7,000 BHP anchor handling tug, compared with £2,000 in the second quarter). Rates for platform vessels are firmer. After 100 per cent employment of semi-submersibles in August, seven units are now available and others have left the North Sea.

# Press Council drops probe into bias charges by Wilson

BY MAURICE SAMUELSON

THE PRESS COUNCIL has decided to drop its inquiries into allegations by Sir Harold Wilson four years ago that a number of national newspapers were conducting a smear campaign against him and the Labour Party on the eve of the October 1974 General Election.

The former Prime Minister's allegations had been made following the so-called "land deals" affair. Mr. Wilson, as he then was, had claimed that there was an orchestrated vendetta against himself, the Labour Party and Lady Falkender (then Mrs. Marcia Williams).

The Press Council noted that Sir Harold had himself withdrawn some of his allegations.

Subsequently, Sir Harold had told the Press Council that he did not think newspaper proprietors or editors had instructed journalists to "go round and dig out untrue material."

The Press Council had offered to hear further evidence from Sir Harold, but he had not made formal complaints.

On the question of Press bias against the Labour Party, the council says that it accepts the *Royal Commission's conclusion* that there was no strong anti-Labour bias in the Press.

*The Press Council's statement* is one of several reports published today.

In another adjudication, the council upholds complaints against the Daily Mail and the Daily Express for publishing a picture of the body of Lady Henrietta Guinness, after her death in Italy earlier this year.

Criticisms of the Daily Mail's treatment of Lady Guinness's death, after a fall from a bridge in Italy, had been made by Mr. Alan Hare, her uncle, accompanied by a statement from the dead woman's mother, Lady Elizabeth More O'Ferrall.

The council says that the obtaining of news or pictures should be carried out with sympathy and discretion.

The Council also upholds the complaints about a cartoon in the Evening Standard, dealing with the murder of Mr. Walter-Scott Elliott by his butler, which it called "a shocking outrage on decency and justice."

However, it rejects complaints against the Daily Mail concerning a photograph of the body of Italian politician Sig. Aldo Moro in the back of a car, and against the Daily Telegraph for publishing pictures of massacre victims in Rhodesia.

The Council also rejects a complaint by Labour MP Mr. Eric Moonman against allegations in the Sunday Times that Israel had tortured Arab prisoners. The Council said it was not its function to decide whether the allegations were *true, but it considered that the* editor had reasonable grounds at the time for believing them.

Mr. Moonman, who is also chairman of both the Labour Newspaper Group and the British Zionist Federation, said yesterday that Press Council procedures "do not give an ordinary complainant a fair chance." He would take the matter up with the Prime Minister.

# Coal 'an essential' as oil and gas dwindle

BY MAURICE SAMUELSON

THE ARGUMENT that coal will be needed in 20 or 25 years to make up for dwindling supplies of oil and natural gas is strongly supported by all the available evidence, says Sir William Hawthorne, chairman of the Energy Department's advisory council on conservation.

What is less widely understood, he says, is that if present coal production and investment are reduced, the coal supplies would not be available when required in a quarter of a century.

Sir William, reviewing Sir Derek Ezra's recent book, *Coal and Energy* in the National Coal Board's journal, Coal and Energy Quarterly, asks how enough "wise virgins" are to be persuaded to go on using and even increasing their use of coal in the present period of plentiful oil and natural gas.

The exploration of such policies would be a challenge to politicians, and the building of large coal-fired power stations, in spite of their extra cost in present-day terms, would probably require Government action.

Another writer in the journal says that probably no country in the world is yet equipped to handle the large amounts of coal which will be traded in the year 2000 and beyond.

Mr. David Waring, managing director of Inter-Continental Fuels, says that the bulk trades are contemplating ships of 120,000-150,000 tons for which new or enlarged ports, now under construction, will be needed.

There would be an increase in world-wide primary energy consumption from 8.5bn tonnes of coal equivalent in 1975 to 16.5bn tonnes in 2000.

● The building of islands in the North Sea to mine the rich coal fields beneath it may be one of the answers to Britain's fuel problems in the next century, the Coal Board's journal says.

The islands are one of various schemes suggested in the journal.

Dr. J. C. Whitehead, a member of the board's research establishment, also proposes the extension of conventional methods, since a number of mines in North-East England, Scotland, Cumbria, and North Wales already produce coal from faces under the sea.

Under-sea workings could quite easily be extended to operate 25 km from land, he says. Dr. Whitehead also proposes remotely-controlled techniques for decomposing the coal.

He writes that activities already under way throughout the world in many technologies could have a significant bearing on whether the North Sea coal reserves can be tapped.

# Prentice seeks Tory adoption

BY MAURICE SAMUELSON

MR. REG PRENTICE, the former *Labour Cabinet Minister*, seeks adoption tonight as prospective Conservative candidate for the Scottish seat of Moray and Nairn.

It will be the third seat for which Br. Prentice has sought the Conservative nomination since he joined the party a year ago, after being ousted by Newham North-East Labour Party.

He previously failed to secure the Tory candidature at *both Wycombe and East Ren*frewshire after being included in the final short list of applicants.

The Moray and Nairn Tories make their final choice between Mr. Prentice and Mr. Alex Pollock, a lawyer, who stood for the seat at the last General Election, when he was beaten into second place by Mrs. Winifred Ewing, Scottish Nationalist, by 367 votes.

Mr. Prentice has said that *Mrs. Margaret Thatcher would* like to see him fight a seat for the Conservatives at the next election, but Scottish Conservatives deny that there has been pressure from the Tory leadership.

Mr. James Allingham, chairman of the Moray and Nairn association, said yesterday: "There could be an announcement on Monday night, but it is by no means certain."

# Inflation expected to rise in spring

BY DAVID FREUD

INFLATION WILL remain at its present annual rate of about 8 per cent until at least next spring, according to City stockbrokers Hoare Govett. The rate was then likely to start to increase as a result of rising commodity prices and labour costs.

The rate of retail price inflation in the second half of the *year would have been lower had* it not been for the temporary period of sterling weakness in the first half of the year.

Sterling would maintain an effective exchange rate in the weighted index range of 61.5 to 64. For this reason, raw material costs shsould be held down this year, although next year there was likely to be some pressure on costs as a result of a firming of commodity prices.

## Reduction

The underlying conditions in the labour market were more significant for the level of wage increases than the Government's pay target of 5 per cent—whether or not it held.

Unemployment was still extremely high for this stage of the business cycle, and because retail price increases were well below those at the start of the previous wage round there should be a significant reduction in the level of wage settlements in the present round.

# Supermarket chains open three big stores in South

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

SUPERSTORE development in the South of England takes a big step forward to-morrow when three leading supermarket chains each open a giant store, adding a total of almost 140,000 square feet of new shopping space.

The move represents a considerable achivement by the supermarket retailers who have had to overcome reluctance by the Department of Environment and some local authorities to allow superstore development in the South. Planning authorities in the North of England have *shown greater readiness to allow* large store developments.

The three superstores opening to the public tomorrow are:

● At Hempstead, near Gillingham, Kent, where British Home Stores and J. Sainsbury are jointly opening a superstore under the name SavaCentre. The store will have 67,000 sq ft of selling space and is the second joint superstore venture by the two companies. A year ago the first SavaCentre was opened in Washington new town.

● At South Woodham Ferrers, Essex, where Asda Stores, a subsidiary of the Northern based *Associated Dairies, is opening a* 36,500 sq ft superstore at a cost of £2m. Asda has been one of the pioneers of superstore development in the north and has a reputation for cut-price trading. The Essex store is the company's first development into the south-east.

● At Windsor, where International Stores is opening a 35,000 sq ft store at a cost of £2.5m. The Windsor store is International's seventh superstore and has a night-club included in the complex.

Other supermarket groups are also trying to secure new superstore developments in the potentially lucrative market in the South-East. International is opening another large store next month with a 49,000 sq ft development in Aldershot.

## Approval

Tesco is shortly to open a 36,000 sq ft store at Finchley, north London, and has recently opened an 82,000 sq ft superstore—believed the largest in the country—just outside Basildon, Essex.

Last week, Mr. Peter Shore, Environment Secretary, gave the go-ahead for a 60,000 sq ft superstore to be built by Tesco at Bursledon, outside Southampton. Mr. Shore's approval came after his original decision to oppose the scheme.

The main superstore developers so far have failed to achieve any success with large store developments in the London area. Tesco, for example, recently had plans for a 100,000 sq ft store at Neasden, north London, rejected by the local borough council.

Because the supermarket groups are now all more willing to work closely with local authorities in any development—and to offer cultural or sporting facilities in addition to store construction—it seems likely that the superstore revolution will gradually become more widespread in the South.



# Concern expressed on pensions rise

BY ERIC SHORT

CONCERN OVER the forthcoming increase in old-age pensions—due next month—has been expressed by Mr. Hugh Faulkner, director of Help the Aged, in a letter to Mr. David Ennals, Secretary of State for Social Services.

Mr. Faulkner said that the Government, under the Social Security Act, 1975, should relate the level of pensions, either to earnings or prices depending on which was considered more advantageous.

The latest figures issued by the Department of Employment showed that average earnings rose 14.2 per cent between July last year and July this year, but pensions are rising by only 11.5 per cent.

This 11.5 per cent value was based on an estimate of earnings increases made in April this year when the increases were announced in the Budget.

Mr. Faulkner is asking Mr. Ennals what plans he has to increase the retirement pension so that it fulfils the conditions of the Act.

The previous two pension upratings in 1976 and last year were both based on estimated movements in prices over the year—because during those years prices moved ahead of earnings.

In each case, the estimates were based on the historical movement of national average earnings.

This method aroused criticism because by the time the pension increase came to be implemented, six months after the announcement, it had already been eroded by inflation.

OBITUARY

# Sir Halford Reddish

THE DEATH of Sir Halford Reddish at 80 deprives British industry of one of its most colourful, forceful and effective personalities.

His resignation from the chairmanship of Rugby Portland Cement two years ago was overshadowed by his unsuccessful attempt to block the appointment of Lord Boyd-Carpenter to succeed him.

But it only briefly obscured his achievement in steadily building up its profits from £1,500 in 1933, when he assumed the management, to more than £11m. pretax profits reported at his last annual general meeting.

Sir Halford joined Rugby Portland's board in 1929 and took over the management four years later when the company had only one small works with an annual output capacity of 30,000 tons of cement.

The company went public in 1935 and now has a chain of *cement works in Britain and* overseas.

After his demobilisation at the end of the First World War, Sir Halford became an articled accountant, then studied insurance and became an underwriting member of Lloyd's.

His other interests included engineering and metallurgy, and he served as chairman of the Trussed Concrete Steel Company and of Charles Nelson and Company. He was a director of the Meldrum Investment Trust and of Granada Theatres.

His long reign at Portland Rugby Cement—he was chairman, chief executive and a large *shareholder—was* accompanied not only by expanding profits, but by progressive management.

Sir HALFORD REDDISH
*Appealed for old standards*

From 1943 the company had elected works committees at all its plants; from 1945 it had a profit-sharing scheme; and from 1954 it also had an employee shareholding scheme.

There was a distinctly 19th century flavour about his last speech as chairman when he called on Britain to return to "the old ethical standards" if it was to be saved from economic collapse.

It was typical of a man whose idealistic views about personal and political morality were inseperable from his undoubted entrepreneurial prowess.

# HOME NEWS

# Oil rush 'increases accident risk'

Financial Times Reporter

MORE BIG accidents may happen in the North Sea because the "headlong rush" for oil has outstripped any ability or plans to deal with emergencies, says a book published today.

For years to come, new risks will be taken, more accidents happen and lives be lost because this is "part of the price to be paid for such huge developments as those now taking place," Mr. Guy Arnold writes in "Britain's Oil."

There would be a blow-out for every 455 wells drilled. And with many more tankers expected to enter British waters to take off North Sea oil, the chances of far greater shoreline pollution had risen correspondingly.

## Safety claims

This is particularly likely to happen off either Shetland or Orkney where two of the huge new terminals—Sullom Voe and Flotta—have been sited.

The oil companies' claims to take all necessary precautions were largely a "public exercise," and at Sullom Voe British Petroleum was believed to be "only playing at environmental control."

*Britain's Oil, by Guy Arnold, Hamish Hamilton, £8.95p.*

# Ford supplies 63% of salesmen's cars

BY KENNETH GOODING

SALESMEN choose Ford cars and directors prefer BL (British Leyland) according to a survey of the company car market published today. And while most companies get a 12½ to 13½ per cent discount on list prices, only those with very large fleets can obtain a discount of more than 14½ per cent.

Among the 858 companies covered in the survey by the magazine Company Secretary's Review, Ford dominated with a 63 per cent share of salesmen's cars. The Cortina was their most popular model.

Chrysler was in second place, its Avenger having a 15 per cent share. BL was third with 12 per cent. The Marina accounted for the major part of this with the Allegro, Maxi and Mini sharing a very small balance. Vauxhall had a 7 per cent share.

All these companies are trying hard to catch Ford and build up sales to company fleet operators because this part of the market is now accounting for about 70 per cent of new car sales in the UK.

Fleet operators usually prefer to buy all their cars from one manufacturer because this policy creates fewer servicing problems. This makes it essential that a maker's range should cover all market requirements.

Ford's success is evident from the survey, which shows that in the directors' car sector it was not far behind BL, which has a wider range of "executive" cars. BL had 36 per cent and Ford 32 per cent. The Ford Granada was the top individual model in this sector and the Rover 3500 came second.

Ford showed up strongly among cars for senior management with a 72 per cent share of the total. The Cortina was again the number one model with the Granada also prominent.

Foreign cars in company fleets are comparatively rare, but they are chosen frequently when a director is able to pick his own model within price or engine-size limits. German makes are the most popular — Mercedes, Audi, BMW — as well as the Swedish Volvo.

Salesmen's cars tend to be changed at about 40,000 miles, or after two or three years, but cars for directors and senior management are usually kept for longer.

Only 26 per cent of the companies questioned had leasing arrangements for their fleets.

*Survey into Company Car Schemes. Price £5 from: Company Secretary's Review, Tolley Publishing, 102, High Street, Croydon, Surrey CRO 1ND.*

# UK wine drinking rises by 25%

By Our Consumer Affairs Correspondent

WINE CONSUMPTION in the UK is up by almost a quarter so far this year despite relatively poor sales during the summer because of bad weather, according to figures released yesterday by the Wine and Spirit Association.

The Association said that according to Customs and Excise statistics, wine duty was paid in July on 5.8m gallons, an increase of just over 8 per cent on the corresponding month last year. In the first seven months of this year the total amount of wine on which duty was paid amounted to nearly 38.5m gallons, almost 24 per cent more than over the same period last year.

# 'Best for UK to join monetary system now'

BY DAVID FREUD

THE TIMING for the UK in joining the proposed European monetary system could not be more opportune, according to the Economic Models group of companies, international forecasters based in London.

The West German D-mark, the strongest currency in the European monetary group, was over-valued, both in labour cost and price level terms.

At the same time, British inflation was far below the rates of recent years, so there was less reason for devaluation. Furthermore, the UK was likely to run a surplus on goods and services for the next few years, instead of the usual deficit.

For these reasons, the group's forecast of the effective exchange rates for the mark and pound are well within the limits of flexibility of the proposed compromise system, at least for the next 18 months.

If closer monetary links in Europe were to be forged and if Britain were to join in, this was the time to do it.

Nevertheless, it was unlikely that the UK would join the system, both because of the risks involved and because it offered few advantages to Britain.

The inflation rate was twice that in Germany and was likely to accelerate to three times the German rate.

This brought the serious danger that an over-valued exchange rate would damage the competitiveness of exports and profit margins in export and import competing industries with serious consequences for employment and for the return on investment in manufacturing industry.

To join the system would add a further risk that it might be necessary to impose a tight monetary policy in order to maintain the exchange rate within the required limit.

# New standard issued on deferred taxation

BY MICHAEL LAFFERTY

THE NEW accounting standard on deferred taxation, published today by the Accounting Standards Committee, should end three years of controversy in the accountancy profession, industry, and the City about the most appropriate method of reflecting tax liabilities in company accounts.

The new standard — known simply as SSAP15 — comes down firmly on the side of those who have argued that companies should only provide for the taxes they expect actually to have to pay over to the government.

In other words, instead of setting up tax liabilities at the current corporation tax rate of 52 per cent, companies will be able to use lower rates which will be determined each year by the tax allowances available for investment in plant and stocks.

Traditionally, the British accountancy profession, like its counterpart in the U.S., has favoured a system of full deferred tax accounting.

The idea was that each year's profits should bear their full share of the tax burden regardless of any differences between tax and commercial accounting rules.

This was entirely consistent with the historic cost accounting convention, and worked well so long as the tax rules were not significantly out of line with commercial accounting principles.

It is hardly surprising therefore that there was little public dispute when the Accounting Standards Committee moved in the early 1970s to codify deferred tax accounting as a full-scale accounting standard.

The ruling eventually emerged in the form of statement of accounting practice 11 (SSAP 11) in August, 1975, and was expected to cause little change in company accounts.

But major problems were looming because of significant changes in the corporate tax system.

The close alignment between tax and company accounting first took a knock with the introduction of 100 per cent tax relief for capital expenditure.

The disparity became much greater when the Government introduced stock appreciation relief in the 1974 budget. The result was that the tax accounting system was, in rough terms, on an inflation-adjusted basis: company accounts, on the other hand continued on the historic basis.

Because of this disparity it gradually became clear that application of SSAP11 would simply result in the build-up of very large deferred tax liabilities in company accounts representing amounts which might never become payable to the Inland Revenue—provided companies continued to invest in plant to increase stock levels.

The realisation quickly led to one of the most extraordinary campaigns against an accounting standard in the history of the UK accountancy profession.

Industrial opposition to the standard was co-ordinated by the CBI, and support for a change of policy also came from the Committee of London Clearing Banks, the British Insurance Association and a number of leading accounting firms—notably Price Waterhouse.

Eventually ASC relented, suspended SSAP 11, and set about the task of coming up with a more acceptable tax accounting standard.

One of the points made by the critics of SSAP 11 was the political threat posed by full deferred tax accounting. The suggestion was that a future Government might call in all the deferred tax, or nationalise companies instead.

The exposure draft ED 19, issued in May last year was the response the critics wanted. It simply said that companies need only provide for the taxes they expect to have to pay in the foreseeable future in their accounts.

Few accounting pronouncements in recent years have been followed as quickly as ED 19 has by so many companies.

No statistics exist, but it is probably true to say that the majority of companies reporting results in the past year have followed the new approach.

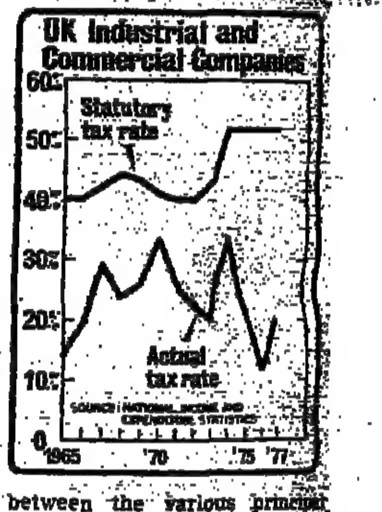
However, some have resisted as a matter of principle, often saying that they do not agree with an accounting system that shows profits on one convention and taxes on another.

These objectors could now find themselves with a qualified audit report—particularly for accounting periods starting after January.

In terms of its application, the new standard will require companies and their auditors to exercise judgment to access the real impact of taxation on profits.

This will almost certainly result in differing opinions but the standard gives guidance by defining the foreseeable future—the period for making the judgment — as three years.

In addition to stipulating a new accounting treatment, SSAP 15 will require companies to disclose, in a note to the accounts, the potential amount of all deferred tax — distinguishing between the various principal categories.




It was a dispute over this with the clearing banks which delayed earlier publication of the new standard. The clearers feared that the note disclosure would lead to revelation of their own bad debt provisions and reserves. However, a subsequent understanding with the clearers' auditors has overcome that particular problem.

## STANDARD ACCOUNTING PRACTICE FOR DEFERRED TAX

DEFERRED taxation should be accounted for on all short-term timing differences.

Deferred taxation should be accounted for in respect of the tax effects arising from all other originating timing differences of material amount other than any tax effects which, based on the criteria set out, can be demonstrated with reasonable probability to continue in the future.

This may be by reason of recurring or continuing timing differences or, in the case of revalued assets, by the continuing use of the assets or the postponement of liability on their sale.

It will be reasonable to assume that timing differences will not reverse and tax liabilities will therefore not crystallise if, but only if, the company is a going concern and:

(a) the directors are able to foresee on reasonable evidence that no liability is likely to arise as a result of reversal of timing differences for some considerable period (at least three years) ahead; and

(b) there is no indication that after this period the situation is likely to change so as to crystallise the liabilities.

Where these criteria are satisfied it will be reasonable to assume that the period which can be foreseen sets the patten for the indefinite future, and accordingly the deferred tax provision relating to such timing differences can be eliminated.

The position should be reviewed each year and regard should be had to the past pattern of capital expenditure and stock levels and whether forecasts made in the past have proved to be reliable.

Where the criteria are not fully satisfied it may be appropriate to provide only part of the full potential deferred taxation. The partial amount not provided should be based on substantiated calculations and assumptions which are explained in the financial statements.

Where the criteria are not satisfied the directors will have no basis for assuming that timing differences will not reverse and accordingly deferred taxation should be provided.

Debit balances on deferred taxation account arising from either timing differences or the payment of ACT should be carried forward only if there is reasonable certainty of their recovery in future periods.

The potential amount of deferred tax for all timing differences should be disclosed by way of note, distinguishing between the various principal categories of deferred tax and showing for each category the amount that has been provided within the accounts.

**Profit and loss account:** Deferred taxation dealt with in the profit and loss account should be shown separately as a component of the total tax charge or credit in the profit and loss account or by way of note to the financial statements.

The profit and loss account or a note to the financial statements should indicate the extent to which the taxation charge for the period has been reduced by accelerated capital allowances, stock appreciation relief and other timing differences.

Adjustments to the deferred taxation account resulting from a change in the rate of taxation should be separately disclosed as part of the taxation charge for the period, unless the change in rate is associated with a fundamental change in the basis of taxation, in which case the adjustment should be treated as an extraordinary item.

Deferred taxation charges or credits which relate to extraordinary items should themselves be shown separately as part of such items.

**Balance sheet:** Deferred taxation account balances should be shown separately in the balance sheet and described as "deferred taxation." They should not be shown as part of shareholders' funds.

A note in the financial statements should indicate the nature and amount of the major elements of which the net balance is composed and a description of the method of calculation adopted.

Where amounts of deferred taxation arise which relate to movements on reserves (that is, resulting from a revaluation of assets) the amounts transferred to or from deferred taxation account should be shown separately as part of such movements.

Where the value of an asset is shown by way of note on the face of or annexed to the financial statements and that value differs from the book value of the asset, the note should also show, if material, the tax implications which would result from the realisation of the asset at the balance sheet date at the stated value.

**Transitional arrangements:** On the introduction of this standard the opening balance on deferred taxation account should be calculated or recalculated on the basis set out in this standard and the necessary provision set up or the existing provision adjusted accordingly, as a prior year adjustment.

***Date from which effective:*** The accounting practices set out in this statement should be adopted as soon as possible and regarded as standard in respect of financial statements relating to accounting periods beginning on or after January 1, 1979.

LABOUR NEWS

# Glasgow journalists in pay dispute lose their jobs

BY ALAN PIKE, LABOUR CORRESPONDENT

MORE THAN 700 journalists and production staff employed by the Daily Record and Sunday Mail in Glasgow who have been involved in a dispute over a pay parity claim were told yesterday that they had lost their jobs.

Mr. Derek Webster, chairman of the Daily Record, said that a condition of re-employment would be that the staff must drop their claim for parity with Mirror Group workers in London and honour working and disputes procedures.

During the last six months about 6m copies of the Daily Record and Sunday Mail had been lost through unofficial disputes.

The staff were told that they were considered to have terminated their service after a strike prevented the Sunday Mail from publishing yesterday.

Mr. Vic Horwood, managing director, said in a letter to staff that the company had negotiated a new 12-month agreement which gave the maximum 10 per cent available under Stage Three, plus a productivity bonus of 5.2 per cent.

The company says that it will not break Government pay guidelines and that the claim for parity with Mirror Group employees in London will not be conceded "whatever the consequences."

A mass meeting of employees is to be held in Glasgow today. They complain that their pay is "about £70 a week" behind comparable workers on the Daily Mirror in London.

Mr. Harry Conroy, father (chairman) of the imperial chapel (office union section), which covers both newspapers, said that the stoppage had been for 24 hours and when staff reported for work yesterday they were locked out. This is denied by the company.

Elsewhere in the Scottish newspaper industry, the National Union of Journalists had called an official strike of 150 members employed by Scottish and Universal Newspapers over a productivity claim and the Tweeddale Press group has laid off 165 employees in a printers' dispute.

The Daily Telegraph failed to publish in London again last night because of a dispute involving members of the National Graphical Association. Another dispute by members of the Society of Graphical and Allied Trades prevented distribution of the Sunday Times colour magazine to London and parts of the Home Counties.

# Beet harvest delayed by overtime ban

THE SUGAR beet harvest in parts of East Anglia has been halted because of industrial action by key workers employed by the British Sugar Corporation.

Craftsmen at the biggest of the corporation's 17 plants, at Wissington, near Downham Market, Norfolk, have imposed an over time ban in support of a dispute over grading.

The factory, which can handle 7,600 tons of sugar beet a day, was due to start processing today but will not be able to operate round the clock because of the sanctions. The start has been postponed and the corporation has called for an early meeting with the engineering workers union at national level.

Similar restrictions by the men over a pay claim delayed the opening of the factory last year for almost three weeks.

## WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
AGB Research, London International Press Centre, 76, Shoe Lane, EC, 12
Austin (James) Steel, Wakefield Post House, Osset, W. Yorks., 12
BOARD MEETINGS—
Finals:
Foward Technology
Tysack (W. A.)
Interims:
Allied Plant
ESG Intnl.
Brook St. Bureau Mayfair
Dorrington Invs.
Rugby Portland Cement
Senior Eng.
Steel Bros.
Wood and Sons
DIVIDEND & INTEREST PAYMENTS—
Austin (James) Steel 3.57p
Babcock Nederland B.V. 7pcCnv.Gtd.Bds. 1992 3½pc
Bergen 5½pc20-yr.Ext.Ln. 1984 2¾pc
Blue Bell Inc. 7½pcDbs. 1987 3¾pc
Blue Circle Inds Ord. 3.22p
Bolivia 10½pc 1992 5¼pc
Brit. Assets Tst. 4½pcPf. 1.575pc. Do. 3pcPf. 1.75pc
Cadbury Schweppes Overseas 7¼pcGtd.Bds. 1990 3⅝pc
Canadian and Foreign Inv. Tst. Db. 3½pc
Citicorp Overseas Finance Cpn. N.V. 6¾pc Gtd. 1980 3⅜pc. Do. 7pcGdt. 1981 3½pc
Dufay Bitumastic 0.6p (including sup. dist. of 0.012494p o/a yr. ended 31/12/77)
Dundee 9½pcBds. 1983 4¾pc
Forminster 2.1098p
Granges Aktiebolag 6¾pcLn. 1987 3⅜pc
Gravebell 0.5p
Hoffnung (S.) 2.8142
Hudson's Bay 34.5cts.
Inchcape (Bermuda) 6¾pcCnv.Gtd.Bds. 1992 3⅜pc
Industrialization Fd. Finland 7pcGtd.Bds. 1972-87 3½pc
Isle of Man 1953-83 1¾pc
Montague Tst. 9½pcBds. 1985 4¾pc
Mortgage Bk. Finland 9½pcGdt.Bds. 1981 4¾pc
Motorola 25cts.
National Coal Bd. 8½pcGtd.Bds. 1988 4¼pc
Norsk Hydro A.S. 6¾pc15-yr.Ext.Ln. 1987 3⅜pc
PMA 1p
Schlumberger 35cts.
... Ests. 1p
Thomson Orgn. 2.19827p. Do. 0.01547p (Secc. distribution o/a yr. 1977)
Tesey Inds. Inc. 7¼pcGtd.Nts. 1984 3⅝pc
Turin 6¼pcStlg.DMBds. 1984 3⅛pc
Wace 0.7p
Westminster 13pcRd. 1981 6½pc

TOMORROW

COMPANY MEETINGS—
Abwood Machine Tools, Princes Rd., Dartford, Kent, 10.30
Apex Props., 245/247, Pavilion Rd., Sloane Sq., SW, 12
McKay Secs., 18, Parkside, 28-56, Knightsbridge, 12
Sobranie, Connaught Rooms, Great Queen St., WC, 12
BOARD MEETINGS—
Finals:
Boulton (Wm.)
Brooke Bond Liebig
Paine Eng. Inds.
Interims:
Central and Sheerwood
Erith
Furness Withy
Kode Intnl.
Manchester Liners
Marks and Spencer
North (M. F.)
Provident Life Assn. London
Siemssen Hunter
Spirax-Sarco Eng.
Westpool Inv. Tst.
Wetern Bros.
DIVIDEND & INTEREST PAYMENTS—
Royal Dutch Petroleum (Br.) Reg. Fl 5
Slater Walker Intl. Finance 7¼pcBds. 1987 3⅝pc
Smith Wallis 2.479p
Sobranie Ord. & NV Ord. 1.1p
Southern Kinta Cons. (M.) Berhad, 9.29203p
Spencer (George) 0.780997p

WEDNESDAY, OCTOBER 18

COMPANY MEETINGS—
Christie-Tyler, Angel Hotel, Cardiff, 12.
Douglas (Robert M.), Shenstone House, 395, George Rd., Birmingham, 12.
Waring and Gillow, Hallam Tower Hotel, Sheffield, 12.
Whitworth Electrical, Great Western Hotel, Paddington, W., 3.30.
BOARD MEETINGS—
Finals:
Dawnay Day
Kalamazoo
Medminster
Sun Life Assurance
Interims:
British Home Stores
Brown and Jackson
City of Oxford Inv. Tst.
Duport
Farm Feed
Harrison and Sons
Jessel Toynbee
Marshall's Universal
Secs. Tst. Scotland
Smith St. Aubyn
Time Prods.
UBM
Utd. Carriers
Websters Publications
Wilmot Breeden
DIVIDEND & INTEREST PAYMENTS—
Barking 6¼pcBds. Red. 18/10/78 £3.2277
Bassetlaw 6¼pcBds. Red. 18/10/78 £3.2277
Birmingham 6¼pcBds. Red. 18/10/78 £3.2277
Cambridgeshire 6¼pcBds. Red. 18/10/78 £3.2277
Camden 6¼pcBds. Red. 18/10/78 £3.2277
Colchester 6¼pcBds. Red. 18/10/78 £3.2277
Cynon Valley 6¼pcBds. Red. 18/10/78 £3.2277
E. Lindsey 6¼pcBds. Red. 18/10/78 £3.2277
Jacobs (John I.) Ord. 0.55p
Lochaber 6¼pcBds. Red. 18/10/78 £3.2277
McKay Secs. 0.79377p
Northavon 6¼pcBds. Red. 18/10/78 £3.2277
Preseli 6¼pcBds. Red. 18/10/78 £3.2277
Rotherham 6¼pcBds. Red. 18/10/78 £3.2277
Thamesdown 6¼pcBds. Red. 18/10/78 £3.2277
Wakefield 6¼pcBds. Red. 18/10/78 £3.2277
Waring and Gillow 2.518208p
Warwickshire 6¼pcBds. Red. 18/10/78 £3.2277
W. Dorset 6¼pcBds. Red. 18/10/78 £3.2277
Wigan 6¼pcBds. Red. 18/10/78 £3.2277

THURSDAY, OCTOBER 19

COMPANY MEETINGS—
Brasway, Penns Hall Hotel, Walmsley, Sutton Coldfield, 2.30
Brit. Elec. Traction, Connaught Rooms, Great Queen Street, W., 12.15
British Scrap Federation, Hilton Hotel, W., 10.30
Centrovincial Ests., 4-6, Savile Row, W., 3
Clark (Matthew), Winchester House, 100, Old Broad Street, EC, 12
Newmark (Louis), 143-149, Great Portland Street, EC, 12
Norton and Wright, Queens Hotel, Leeds, 12
Pifco, Winchester House, 100, Old Broad Street, EC, 12
Regional Props., Mayfair Hotel, W., 12
Williamson Tea, Sir John Lyon House, 5, High Timber Street, EC, 12
BOARD MEETINGS—
Finals:
Burndene Invs.
Eleco
Free State Geduld
Free State Saiplaas
London Scottish Fin. Cpn.
President Brand
President Steyn
... Marketing
Spencer Gears
Welkom Gold
Western Hldgs.
Interims:
Alginate Inds.
Canadian and Foreign Inv. Tst.
Coates Bros.
De Vere Hotels and Rests.
Dundee-Combex-Marx
Gen. Scottish Tst.
Gerrard and Natl. Discount
Hawker Marris
House of Lerose
Ind. and Gen. Tst.
... (F. and C.)
Scottish Mort. Tst.
Utd. Eng.
DIVIDEND & INTEREST PAYMENTS—
Abwood Machine Tools 0.375p
Blackpool 9pcBds. Red. 25/4/79 4½pc
Castle Morpeth 9pcBds. Red. 25/4/79 4½pc
Castlepoint 9⅜pcBds. Red. 15/10/80 4¹¹⁄₁₆pc
Central Var.RateBds. Red. 13/4/83 £4.8188
Comb. Avon and Somerset Police Athy. 7⅞pcBds. Red. 17/10/79 3¹⁵⁄₁₆pc
Cotswold 9pcBds. Red. 25/4/79 4½pc
Crouch Grp. 2.0675p
Cumbernauld and Kilsyth 8½pcBds. Red. 25/4/79 4¼pc
Cynon Dogbarth Dwyfor 9pcBds. Red. 25/4/79 4½pc
Derwentside 9pcBds. Red. 25/4/79 4½pc
Douglas (Robert M.) 2.5803p
Gateshead 9pcBds. Red. 25/4/79 4½pc. 7⅞pcBds. Red. 17/10/79 3¹⁵⁄₁₆pc
Grampian 9pcBds. Red. 25/4/79 4½pc
Grt. Yarmouth 9⅜pcBds. Red. 15/10/80 4¹¹⁄₁₆pc
Hackney 9⅜pcBds. Red. 15/10/80 4¹¹⁄₁₆pc
Harrow Var.RateBds. Red. 13/4/83 £4.8188
Kyle and Carrick 10¾pcBds. Red. 15/4/81 5⅜pc
Lancaster 9pcBds. Red. 25/4/79 4½pc
London Utd. Invs. 2.5p
Meirionnydd 9pcBds. Red. 25/4/79 4½pc
Mendip 10⅛pcBds. Red. 16/4/80 5¹⁄₁₆pc
... Db. 3¾pc
Newbury 7⅞pcBds. Red. 17/10/79 3¹⁵⁄₁₆pc. Do. Var.RateBds. Red. 13/4/83 £4.8188
Nottingham 7⅞pcBds. Red. 17/10/79 3¹⁵⁄₁₆pc. Do. Var.RateBds. Red. 13/4/83 £4.8188
Preseli 9pcBds. Red. 25/4/79 4½pc
Rushmoor 9pcBds. Red. 25/4/79 4½pc
Salisbury 9pcBds. Red. 25/4/79 4½pc
Shrewsbury and Atcham 9pcBds. Red. 25/4/79 4½pc
S. Yorkshire Passenger Transport Exec. 7⅞pcBds. Red. 17/10/79 3¹⁵⁄₁₆pc
Swansea 8¾pcBds. Red. 25/4/79 4⅜pc
Tilbury Contracting 6p
Uttlesford 9pcBds. Red. 25/4/79 4½pc
Warrington 9pcBds. Red. 25/4/79 4½pc
West Wiltshire 9pcBds. Red. 25/4/79 4½pc
Wholesale Fittings 3.899p
Williamson Tea 12.6p
Wimborne Var.RateBds. Red. 13/4/83 £4.818
Woking 7⅞pcBds. Red. 17/10/79 3¹⁵⁄₁₆pc
Woodspring 9pcBds. Red. 25/4/79 4½pc
Worthing 7⅞pcBds. Red. 17/4/79 3¹⁵⁄₁₆pc

FRIDAY, OCTOBER 20

COMPANY MEETINGS—
Heron Con., Heron House, 19, Marylebone Road, NW, 12
Nelson (David), Dragon Hotel, Kingsway, Swansea, 12
Palmerston Inv. Tst., Winchester House, 77, London Wall, EC, 12
Walker (Alfred), Swan Hotel, Coleshill, Birmingham, 12
BOARD MEETINGS—
Finals:
Allebone
...s (Sidney C.)
Lowland Inv.
Peters Stores
Interims:
Allebone
Fairview Ests.
Taylor Pallister
Upton (E.)
DIVIDEND & INTEREST PAYMENTS—
Anglo American Corp of South Africa Ups 27pc
Blaby 12pc Bds. Red. 16/4/80. 6pc
Calderdale 12pc Bds. Red. 16/4/80. 6pc
Church 1p
Cory (Horace) 0.3751p (inc. Suppl. dist. of 0.0051p o/a yr 1977) 6⅓pc Ptg. Pf. 3.16pc
Elliott (B.) 2.8678p
Enfield 12pc Bds. Red. 16/4/80 6pc
Erskine House Invs 1.250729p
Ewart New Northern 1p
Firestone Tire and Rubber 27½cts.
Harrott 1.333p
Highlands and Lowlands 10cts
Intl. Westminster Bank Fltg. Rate Cap 1984 US$40.67
Ipswich 12pc Bds. Red. 16/4/80 5⅞pc
Jamesons Chocolates 0.675p
Kennedy Smale 0.804p
Lambeth 11¼pc Bds. Red. 18/4/79 5⅝pc
Lyon and Lyon 2.5p
Medway 12pc Bds. Red. 16/4/80 6pc
Morgan (J. P.) Intl. Deposit receipts to Br. rep. 1, 5, 25 and 100 Com. Shs. issued by Morgan Guaranty Trust of New York, 55 cts.
Neepsend 2.30315p
Newham 12pcBds. Red. 16/4/80. 6 pc
Newmark (Louis) 4.2214p
Norton and Wright 2.9185p
Pifco Ord. A 2.15p
Primrose Ind. 2 cts.
Quaker Oats 30 cts.
Regional Props. Ord. A. 0.8p
South Yorkshire 11¼pcBds. Red. 18/4/79. 5⅝ pc
Suter Electrical 0.3025p
Tube Invs. New Ord 10.975p, Ord 11.143p
Union Bank of Finland Floating Rate Capital 1982, US$40.67
Waltham Forest 11¼pc Bds Red 18/4/79. 5⅝ pc
Wells Fargo, 35 cts.
Western Mining Corp. Ord. 1.5 cts.
Woodward (H.) 0.5p

SATURDAY, OCTOBER 21

DIVIDEND & INTEREST PAYMENTS—
Buckinghamshire Var. Rate Red. 1982. 4⅝pc

SUNDAY, OCTOBER 22

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mtg. Corp. 12⅛pc Bds. Red. 25/4/80. 6¹⁄₁₆pc
Associated Tooling Ind. 1.45833p

# TGWU seeks entry to management area

BY PHILIP BASSETT, LABOUR STAFF

THE TRANSPORT and General Workers' Union has approached managers in the steel industry with proposals to merge the manager's union—the Steel Industry Management Association—with the TGWU. The merger would be the first move into the managerial sector by the overwhelmingly manual Transport Workers' Union.

The 2m-strong TGWU approach gives new significance to the attempt by the Steel Industry Management Association, to join the TUC and carve out a place for itself in the "steel contract." This is the British Steel Corporation's plan for trade union participation in the industry.

Mr. Moss Evans, general secretary of the Transport Workers' Union, has formally written to the executive committee of Steel Industry Management Association, broadly laying out the merger idea. He indicated the Transport Workers' willingness to hold talks on the plan, although no specific merger proposals were put forward. The union also notified the TUC of its proposal.

The merger would give the Transport Workers' Union a substantial foothold in the managerial sector, taking over the Steel Industry Management Association's 12,000 highly-qualified professional managers. It would also significantly increase the union's presence in the steel industry, where it already represents about 17,000 workers.

The Transport Workers' Union is represented in the supervisory sector of the industry by its white-collar section—ACTS—which has had a small executive management group.

Mr. Evans said yesterday that the initial impetus for the merger proposals had come from approaches by the Steel Industry Management Association, particularly in the South Wales tinplate industry, many of whose management staff were former ACTS members.

The steel managers are unlikely, however, to be keen on joining ACTS, as they would prefer to become part of a managerial section. The TGWU will not necessarily oppose this idea.

Some Steel Industry Management Association members are ready to consider links with white-collar engineering unions, including the Engineers' and Managers' Association and the Electrical and Plumbing Trades Union.

The Transport Workers' made its move after merger talks between the Steel Industry Management Association and the Iron and Steel Trades Confederation (the largest steel industry union) broke down in June.

The Steel Industry Management Association has again applied for affiliation to the TUC. It was proscribed by the General Council in 1969. The TUC will almost certainly advise it to seek affiliation with an appropriate TUC union. No talks will begin between the two unions until the TUC has made its position clear.

The British Steel Corporation has substantially altered its position on the Steel Industry Management Association's attempt to take part in the "steel contract" since it served a writ on the Corporation for refusing to allow it to participate.

# Vickers men go back

MORE THAN 1,000 men at the Vickers Engineering factory at Newcastle upon Tyne who struck because the company scrapped a £4-a-week self-financing productivity deal return to work today pending more talks with the management.

Union leaders said yesterday that the men would walk out again if the company, which handles mainly Ministry of Defence contracts, including tanks, maintains its position.

# Humber Bridge workers defended

By Our Labour Correspondent

HUMBER BRIDGE workers who face wage cuts if they do not meet productivity targets were defended at the weekend by Mr. John Baldwin, general secretary of the Amalgamated Union of Engineering Workers' construction section.

He said there had been too much criticism of workers engaged on the project and designers had failed to take sufficient account of the effect the weather would have on construction work.

"I do not believe that those responsible for the design took the weather conditions sufficiently into consideration—especially the strength of the wind—not only in winter but throughout the year," Mr. Baldwin writes in this week's issue of Contract Journal.

Construction of the bridge is already two years behind schedule.

Last week British Bridge Builders warned the union that from this week cable-spinners working on the project would lose supplements agreed under a productivity scheme unless they met required performance levels. This would reduce the men's weekly pay of £150 by about a third.

# Rig catering units agree to talks on recognition call

UNIONS WHICH have given until lunchtime today as a deadline for a reply to their demand to represent 500 offshore catering workers have agreed to meet Scot Catering and Offshore Services of Aberdeen this morning.

But if the company does not give recognition at least for installations where the unions claim membership, the threat of industrial action, perhaps at the Ninian Field first, will be carried out, said a union official in Aberdeen.

The two unions, the Transport and General Workers' Union and the National Union of Seamen, claim at least half the Scot Catering workers as members. Initially they demanded full negotiating rights to cover the whole work force.

The company has said that it is not opposed to union recognition, but disputes the numbers claimed, and has suggested a ballot arranged by the Advisory Conciliation and Arbitration Service.

The unions rejected this last week, saying that the firm had not treated their own earlier offer of a ballot seriously.

Mr. Bill Reid, chairman of the Inter-Union Offshore Oil Committee, and Aberdeen District secretary of the TGWU, said yesterday that if no agreement was reached, industrial action of catering staff would go ahead, with the Ninian Field as a prime target.

"The obvious thing is to use the strength you have, and most of our strength lies in the Ninian Field. We have made that known to Chevron, and it's up to them to advise Scot Catering if they want."

Mr. Reid said that if the company agreed to recognition covering installations where the unions had membership, they would seek recognition for other offshore units as they became organised.

No comment was available from Scot Catering in Aberdeen.

Chevron said that it had been advised by the company of the situation, and understood that talks were under way with the employees.

The Ninian Field, third largest in the North Sea, 100 miles north-east of Shetland, has three platforms, with the southern platform due to be first to come on stream in the late autumn.

# Steel foremen end strike

NEARLY 150 foremen at the British Steel Corporation plant at Corby, Northants, voted yesterday to return to work today after a three-day unofficial strike in protest at "lack of promotion prospects."

Full-time officials of the Iron and Steel Trades Confederation recommended a return to work pending further negotiations.

# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● ELECTRONICS

## Low cost per bit

RELEASED by Plessey Microsystems are two serial memory cards based on Fairchild 464 charge coupled devices which, claims Plessey, offer the lowest cost per bit of all semiconductor memories.

PSM 5680 has a capacity of three million bits and is intended for bulk storage applications where it will offer both low power consumption and high data rates. Data input-output transceivers are incorporated as part of the control and interfacing to a 12 bit bidirectional bus. Various word length options are available, compatible with display stores, image and data processing systems.

The other card, PSM 5683, is a double Eurocard size containing two million bits of memory and peripheral circuits arranged especially for eight and 16 bit microprocessors. Thus compact, low-dissipation memory of 256 bytes (or characters) has been put on a single card, interfaced directly to the microprocessor bus.

Clearly, for small systems at any rate, this movement into the megabyte region throws some doubt upon the ultimate future of the floppy disc. Cost/bit is about half that of RAM.

Mean latency is 524 microseconds and the memory can be operated in read, write, read/modify/write, serial or byte modes on receipt of a command code.

Interface to the board is TTL and the total consumption is under 16 watts in the standby mode. There is an internal 8 MHz clock, and a halt facility is provided which could be used, for example, to synchronise data with a peripheral device. Mean time between failures is specified at better than 20,000 hours.

One-off prices are £1,700 for 2 Mbits, £2,300 for the 3 Mbits bulk storage card.

More from the company at Water Lane, Towcester, Northants NN12 7JN (0327 50312).

● TRANSPORT

## Running a tight delivery schedule

VEHICLE SCHEDULING where many lorries, depots and delivery points are involved is a task which can be performed manually but one which is extremely difficult to carry out quickly and with full guarantee of success at each attempt.

For a number of years, computer technologists have been attempting to solve the so-called travelling salesmen problem elegantly and simply, using the speed and capacity of the computer to run very quickly through all the possible permutations in journeys and stop-off points — indeed, the first scheduling programs were written in 1963. But it was not until the appearance of the more powerful and reliable mini-computers that the possibility emerged of simplifying and streamlining scheduling procedures and interlinking them with other work such as order picking, etc., and producing a package which can be operated at relatively low cost.

Such a package is Vanplan by Scicon. But what distinguishes it immediately is that it works interactively with the operator so that the latter very quickly and efficiently can try out several solutions to a particular problem, with prompting and aid from the equipment.

A recent study of what the interactive equipment can do for a company with many vehicles and depots—in this instance a major 50-depot food distributor—showed that compared with manual scheduling, the Vanplan approach could save the company about £250,000 a year in costs of wasted journeys, inaccurate loading, inefficient use of available goods vehicles, and so on. For this user, licensing would work out at about £25,000 a year, the basic price being £15,000 to which an increment is added depending on the number of depots.

Developed under the National Computing Centre's Software Products Scheme, Vanplan is written on a PDP 11 in Fortran. It could be used with practically any display and keyboard and on most minis handling Fortran and equipped with discs.

Apart from the immediacy with which the system reacts to any change in demands from customers—even very late in the day—a significant advantage of the method is that it is likely to make it much easier to provide invoices with goods delivered.

There is also the facility to regulate picking in warehouses so that order pickers' tasks are greatly simplified, while loading is done logically in step with the stopping schedule.

Fewer vehicles are needed to service customers and vehicles do not go out with obsoleted loads.

At the customer end, the effect of Vanplan is that it permits despatchers to warn recipients to have an unloading crew on standby within a reasonable time before the vehicle arrives, rather than having them hang around for half a day.

Basic information held is a listing of the company's customers and where they are, typical delivery frequency, vehicle restrictions, early closing days and any other facts that would impede delivery.

Orders are fed into the system as they come in during the day and when the time comes to plan delivery routes, the program produces lists of orders, together with the most effective schedules and routes, maps of the routes to be taken and information for picking lists and delivery notes.

This is the latest in a series of products from the Scicon Group which expects to reach a turnover of £26m this year against £12m in 1977, of which £11m comes from the operations of the German affiliate. £9½m is attributable to the bureau based in Milton Keynes and the remainder to consultancy in some 50 countries.

Further from Scicon Consultancy, Sanderson House, 49 Berner Street, London, W1P 4AQ. 01-580 5599.

● SAFETY

## Better breathing for welders

FOLLOWING RESEARCH into the magnitude of health hazards from the various components of welding fume, the Health and Safety Executive has produced a list of Threshold Limit Values (TLVs). During welding operations, any open welding arc produces fume which may be dangerous to the welder and to others in the vicinity, and a continuing problem is to ensure that workers are not subjected to any concentration in excess of the TLV.

Where there exists a high concentration of contaminants within the arc's area, the Factory Inspectorate recommends that the fume from any open arc welding process be adequately removed from the source so as to enable the breathing zone of the operator to be largely free from such contamination.

This can best be achieved by local extraction in the vicinity of the arc, says Defuma, Royce Road, Carr Road Industrial Estate, Peterborough (0733 44344).

The company has developed a portable unit which is designed to improve the immediate breathing zone and working environment of welders, and has been put on the market after extensive on-site proving trials carried out at the works of Baker Perkins under the supervision of the Welding Institute.

The unit is three feet high with a cantilever system which ensures a working radius of 11 feet 6 inches. It has a 5 feet fire-resistant hose that develops suction from a powerful centrifugal and is said to completely remove fume from up to 18 inches from the welding arc. Its inbuilt cleaning system uses simple electrostatic precipitation and so obviates high-cost replacement filters.

Following recent installation of the unit in various Baker Perkins factories, says the company, welders there are already experiencing its benefits.



● FARMING

## Deals with heavy crops

TWO RECTANGULAR bale machines have been announced by International Harvester Company, PO Box 25, 259 City Road, London EC1P 1AD.

The most outstanding change, between the 435 and 445 and their forerunners, is the widening and redesigning of the pickup cylinder.

The 445 has the larger capacity of the two new models. Its number of tine bars has been increased to six, while the use of narrower stripper loops allows the number of pickup tines to be increased to 132.

The combination of wide pick-up, increased frequency of tine bars sweeping the swath and the greater number of tines on each tinebar makes the unit distinctly more effective in dealing with heavy crops and bulky windows.

More suitable for travelling narrow lanes or through gateways is the lower cost machine, the 435. This has an effective pickup width of five inches and in this case four tine bars are used, each with 19 tines to give a total of 76.

Incorporated in the latest design is the transfer of the chain-drive to the cylinder from the left hand of the cylinder to the right, or outside position, which makes it more accessible for servicing in the case of a slipping clutch or malfunction.

Both balers will have their first major showing at the Royal Smithfield Show next month.

● COMPUTING

## VIP service in Europe

SENIOR management, particularly of companies which have a number of plants or centres in the EEC area, are being offered a "personal computing" service by IBM, which is as far removed from what are now called personal computers as one could possibly get.

It allows managerial staff of companies with subsidiaries in various European countries to consolidate basic financial and industrial data, primarily at Zoettermeer in Holland, and use it from terminals in their respective organisations as an input to various methods of manipulating such data for planning and other purposes.

A successor to Call 360, the service presupposes that the relevant company is already participating in the VSPC arrangements with IBM. It will work with PL/1, Fortran and APL and is fully protected with several levels of security—user identification, passwork entry to databases and program routines, etc.

Further from IBM at 101 Wigmore Street, London W1H 0AB. 01-935 6600.

● INSTRUMENTS

## Easy check on heat use

MADE IN Denmark, instruments for the direct measurement of heat consumed by individual premises or householders in cases where hot water is supplied direct from a central boiler are offered in the UK by Grand-glen, P.O. Box 3, 175 High Street, Dorking, Surrey RH4 1QQ (0306 3214).

The equipment can be supplied in a number of forms, but in its most compact tconsists of a single unit mounted direct to a pipe in which the water is flowing. Mounted in the pipe behind the meter is a turbine flow meter with magnetic transmission to a sensor in the integrator box. Also fed to this box are temperature readings from heat input and heat output pipes, yielding the differential temperature and, after integration, the heat flow which is clocked up on a counter and can be calibrated in gigajoules, gigacalories, or megawatt-hours.

The unit can be powered by a lithium battery giving a recording life of five years, and the turbine unit is of the sealed throw-away type. Installation can be in any attitude.

The company says that the meter complies with the requirements of the National Consumer Council.

● METALWORKING

## E. German forging press

AMONG THE latest offerings from the East German machine tool industry is a 1600-ton forging mechanical crank press designed for use with automatic transfer equipment for high volume production. It is being marketed in the UK by Erfurt Machinery.

Rigidity and stability are ensured by the monolithic construction of the press body, which is fabricated from castings and steel plates held by pre-stressed tie-rods.

The machine has a hydraulic device for releasing the press if it becomes jammed, automatic lubrication, and an in-built thermostat which stops it if the temperature of the main bearing exceeds a predetermined maximum.

Ejection is fitted in both ram and bed, and "hold up" is also available. The ram and top die holder are counter-balanced by means of a compressed air reservoir.

The press is capable of 25 useable strokes per minute, and maximum stroke is 280 mm, ram areas is 900 mm by 1050 mm, and bed size is 1120 mm by 1250 mm. Full details are available from Erfurt at Dore House Industrial Estate, Orgreave Close, Sheffield S13 9NP (0742 697341).

## Italian milling machine

A UNIVERSAL bed-type milling machine from Italy with recirculating ball screws fitted as standard is known as the Rovolta FBF 14, and is available in the UK from E. J. Jones, the standard machine division of Kearney and Trecker Marwin of Brighton.

The machine can be supplied with a 15hp or 20hp horizontal spindle which is carried on a side-mounted headstock on the column.

With an ISO 50-spindle taper, the unit permits milling operations to be carried out vertically, or at any compound angle. Alternatively, the head can be removed for horizontal milling, either with a facing cutter mounted directly on the spindle or by using an arbour and supports in conjunction with an overarm mounted on top of the headstock.

Eighteen spindle speeds are available: for the 20 hp head the range is 30-1500 rpm; 22 to 1110 rpm for the 15 hp head.

The table has 1300 mm of longitudinal traverse with 700 mm cross and 850 mm vertical. Feed rates on all axes are infinitely variable in the range 5 to 1000 mm per minute. Rapid traverse rate is 2000 mm per minute and power is supplied by independent 4.7 hp dc motor.

● PROCESSES

## Cleans with cold water

ALTHOUGH THE "wash box" (small high pressure water jetting system) is popularly used in garages and smaller industrial situations, it is not powerful enough for more strenuous cleaning jobs. Users, however, cannot justify the need for the giant systems used in stone-cleaning operations for huge buildings, etc.

A middle of the road product, intending to bridge the gap between the wash box and large systems, has now been introduced by Harben Systems, Watt Road, Churchfields, Salisbury, Wilts. (0722 25424).

This comes with water break tank, flow control valve, pressure gauge, a range of standard equipment including high pressure hose, safety gun, drain and pipe jets, etc., and has the company's pump at its heart.

Unlike the wash box which may have to use hot water in order to cope with tougher cleaning tasks, this operates with cold water and is powered by a Petters AC2 air-cooled diesel engine, producing six gallons a minute at 2,400 psi.

It is suggested for use by industrial, agricultural and stone cleaning contractors, and civil and structural engineers for on-site cleaning. It can also handle light-duty drain cleaning operations, says the company.

## Portable protection

DESIGNED by Photain Controls is a device that can be used for the temporary protection of valuable items that might be in a room for say, only one night.

The detector, in a rugged steel "attache" case, can be placed in the area to be protected and switched on by a remote key-switch. Then, anyone entering the area is immediately detected by the ultrasonic "radar" action of the device which in turn triggers off a very loud electronic siren.

The alarm lasts for five minutes after which the unit will re-set itself—but if the intruder is still present it will then go on for another five minutes.

Operable from a rechargeable 2.5 Ah battery or from the mains, the unit can be connected to other kinds of sensor and can also set off remote alarms if required.

The equipment, which can be fully operational within a few minutes of unpacking, can also be used in a more permanent but "variable location" mode—its position can be changed nightly to prevent criminals from "casing the joint." More from the distributors, Leocas Sonic Alarms, Winsley Street, London W1N 7AP (01-580 2353).

## Stops crane collisions

A RADAR-BASED anti-collision device intended for use with overhead travelling cranes has been put on the market by Herbert Morris of Loughborough.

Simplicity of installation is the important aspect of the equipment; there is only one "black box" to fit to the crane, and it does not need accurate positioning. Once fitted, the device is then set for stopping distance by a simple screwdriver adjustment. It is completely self-contained and enclosed and so is not affected by heat, humidity, dirt, fumes, light or any other radio signals. Fitting by a competent electrician takes about four hours.

A useful design feature is that, by virtue of the doppler principles used, a crane approaching an obstruction at high speed will be stopped inside the set distance, giving additional safety.

Once the crane has been stopped the system is automatically re-set, allowing the operator to inch forward for a close approach to the obstruction if necessary.

More from the company at P.O. Box 7, North Road, Loughborough, Leicester (0509 63123).

# Building and Civil Engineering



## £10m French Kier awards

CONTRACTS WORTH over £10m have been awarded to French Kier Group companies.

For French Kier Construction there are contracts from Snamprogetti, main contractor, for the fluid catalytic cracking unit under construction for Pembroke Cracking Company (£1.5m) for the design and construction of buildings; from the London Borough of Southwark (£751,291) for phase 1 of the Surrey Docks distributor road and from Harlow Development Corporation (£327,857) for an office complex for ITT Components Group at Edinburgh Way.

Kier International's latest contract is worth £2.2m and been awarded by the Abu Dhabi National Oil Company.

This contract includes the construction of process plant foundations, the fabrication and installation of underground pipework and the erection of steel pipe racks. International Bechtel Incorporated is the main contractor.

Robert Marriott has received two contracts worth over £4m. One (£1.2m), is for a single-storey factory unit at the Blakelands Employment Area, Milton Keynes for Milton Keynes Development Corporation and the other also for the Development Corporation, is Heelands 3A, a housing estate at North Milton Keynes. This contract is for 221 two-storey dwellings.

Charles Bland and Son has received a contract from the Department of the Environment (£344.107) for a new sludge steamer wharf at Herdman Channel Road, Belfast Harbour East and Kier has received a £337.387 contract from West Sussex County Council for stage one of the A283 Bramber-Steyning by-pass.

Kier (RBW) has been awarded two contracts. One, worth £604.112, is for the redeployment of eight houses and 41 flats at Waterloo Place, Lewes, Sussex, for the Lewes District Council and the other worth £236.216, is for the construction of 26 flats for the elderly at Cedar Gardens, Brighton, for the Sussex Housing Association for the Aged.

## Good score for Norwest Holst

WORK FOR football clubs, totalling over £2¼m has been won by Norwest Holst.

Under a £1.93m contract for Wolverhampton Wanderers, the company will construct Molineux Stand Phase 1, to accommodate 9,126 spectators and include 42 private boxes together with bars and lounges. The steel canopy roof will be made and erected by George Depledge and the precast terrace units will be designed and supplied by F.C. Precast. Mather and Nutter are the architects.

Norwest Holst is also carrying out work on Phase 1 of the construction of the new south-east stands for Leeds United. Braithwaite and Jackson are the architects and Norwest Holst has been awarded a £100,000 sub-contract by Robert R. Roberts, the main contractor, for the reinforced concrete foundations, columns, retaining walls and the lighting tower foundations.

For Chester F.C., Norwest Holst is to design and construct a £400,000 grandstand. The 3,784-seat stand will be of in situ reinforced concrete construction with concrete terracing and structural steel cantilever roof. Included also is provision of social facilities and a small gymnasium.

## £2 work to Jarvis

CONTRACTS worth £2m involving a data processing centre, a bank, two factories and a laboratory have been awarded to Jarvis.

Modernisation and alterations of Esavian House, 181 High Holborn, London WC1, for the Property Service Agency will provide the data processing service of the Post Office with a new training school. Training facilities and a new Post Office will also be provided for London Postal Region.

Also in central London, Jarvis is providing University College with new glass blowing workshops and layouts for laboratories in the latter's chemistry building. The alterations were designed by Stillman and Eastwick Field.

In Darlington, Co. Durham, Jarvis is rebuilding a branch of the National Westminster Bank behind a listed facade. Designs are by Douglas Marriott, Worby and Robinson in association with the Bank's regional architect.

Jarvis in Manchester is modernising the machine tool works of Kearns-Richards, a division of Staveley Machine Tools, in Altrincham, Cheshire, while in Wythenshawe, it is altering a recently acquired factory for Edbro (Holdings).

## £3¼m office block in Sheffield

W. J. SIMMS Sons and Cooke (Northern), of Nottingham, have been awarded a £3¼m contract to build a 120,000 sq. ft. office block in Sheffield for Trafalgar House Developments.

To be built on the site of the old Playhouse Theatre in Pinfold Street, the work entails the erection of a 10-storey block with a two-storey link podium, and is programmed for completion in two years.

A pre-cast concrete frame will form the basic structural element with pre-cast floors and roofs and specially manufactured brick-faced spandrel cladding panels. A moulded plastic facade will be applied to the link block.

The remainder of the work will be in traditional construction, including a two-storey basement car park, plant and lift motor rooms on the roof, and ancillary services. Architects are Fernie and Hall.

## Fertiliser store

DESIGN AND construction of a bulk store capable of accommodating 24,000 tons of fertiliser at Ince, Cheshire, is to be undertaken by Land and Marine Construction, a member of the Royal Bos Kalis Westminster Group NV. Valued at £2m, the contract forms part of UKF Fertilisers' phase II development at this plant.

It is stated that UKF Fertilisers has indicated that Land and Marine Construction will be the preferred sub-contractor for the civil works associated with the remainder of the phase II developments. This work is valued at about £1.

## Tesco store extensions

TESCO HAS awarded Bovis Construction two building contracts, together valued at about £1¼m.

At Hitchin, Herts., the existing store, which occupies a listed building, is to be refurbished and extended at a cost of £750,000 by demolishing an adjacent public house.

The other contract is for refurbishing and extending the Tesco Home'n'Wear store at Winton, Bournemouth. Valued at about £500,000 this will provide some 8,500 square feet of additional sales area at ground floor level.

## Sewerage schemes

IMPROVED sewerage and sewage disposal facilities for the cities of Najaf and Kufa are planned as part of a £15m project designed by Leeds based consulting engineers Haiste and Partners for the Iraqi State Contracting Authority for water and sewerage projects.

Haiste are meantime engaged on design evaluation studies for improving the sewerage system of the city of Karbala at a projected cost of about £15m and have prepared tender documents for proposed work at Ramadi. Tender documents for schemes covering the cities of Hilla, Diwaniyah, Samawah and Kut are said to have now reached an advanced stage.

## Interior work

ORDERS FOR work in the UK worth nearly £330,000 have been gained by Wiltshier International Interior Contractors. Included is the fitting out (£61,000) of a new shop unit for Mothercare in Swindon and two contracts together worth £101,300 to fit out two units consisting of showrooms and office accommodation for Nationwide Building Society at Reading and Slough.

In Bedford the company is undertaking a £118,000 extension and refurbishing job at Debenham's store and the other smaller jobs include a £13,000 corner unit for Cartier in Harrods in London, refurbishing work worth at just under £17,000 at the Cavendish Hotel, London, W1, for Trust House Forte, and alterations and refurbishing for R. W. Weekes in Crowborough, Sussex, costing £13,500.

## Housing and shopping centre

JOHN LAING CONSTRUCTION is modernising 80 pre-war homes for Newcastle upon Tyne City Council under a contract valued at £800,000.

The semi-detached houses are in Lemington on the west side of the city and work has started with completion expected by October next year.

The company has also started work on a £450,000 project to extend the new shopping centre at Lower Broughton redevelopment area, Salford, Greater Manchester.

The contract, awarded by Salford City Council, involves the design and construction of 14 shops, eight maisonettes and six flats and forms the second phase of the shopping centre programme.

## Protecting the coast

TAYLOR WOODROW Construction has been awarded a £435,000 contract for an 18-month coastal protection project at Ynys-Y-Brawd, Barmouth, Gwynedd, North Wales by Cyngor Dosbarth Meirionnydd.

Consulting engineers are Lewis and Duvivier and work involves the construction of a 115-metre sea wall and apron and a 190-metre stepped breakwater, the formation of a causeway, water main and new groynes and excavation work.

Other coastal protection works upon which Taylor Woodrow and Lewis and Duvivier are already engaged include a £3m project at Minster, Isle of Sheppey for Swale District Council and a smaller scheme at Amroth, South Wales for South Pembrokeshire District Council.

## Work worth over £8m

CONTRACTS together worth about £8m have been awarded to Sir Alfred McAlpine and Son (Northern).

The largest, valued at over £6.6m, is to be carried out for the National Coal Board and involves comprehensive surface works for the new mine development at Wistow, near Selby, Yorks. W. S. Atkins and Partners are consulting engineers for the project.

Another contract, worth just under £1m, concerns work at the Drax power station in Yorkshire, for the Central Electricity Generating Board while in the Isle of Man, McAlpine is to undertake a contract, worth over £500,000, for Palace Hotel and Casino. This is for an extension to the Palace Hotel, Douglas, to provide an additional 39 bedrooms with services.

## Athletics facility in West Africa

A FULL international athletics facility for the Ministry of Social Welfare and Rural Development for the Republic of Sierra Leone at the National Stadium, Freetown, is to be built by En-tout-cas of Leicester.

The facility is to be surfaced with En-tout-cas Olymprene and the contract is valued at £308,000.

Back in the U.K., En-tout-cas is to instal a 400 metre all weather synthetic athletics track at the H.M.S. Temeraire sports complex, Portsmouth. In addition the company is to surface all-weather hockey pitches with its Dripla material.

The contract, worth £128,128, has been placed by the Property Services Agency, and the main contractor is Warings (Contractors).

## Supermarket and housing

TWO CONTRACTS, each worth over £1m, have been awarded to George Wimpey.

For J. Sainsbury, the company is to build a supermarket at Kingsbury, London, NW9. The supermarket will be on two levels with seven flats at both second and third floor levels.

In Scotland, Wimpey is to build 95 single and two-storey dwellings at Lower Methil, Fife, for the Scottish Special Housing Association. Work is due to start in November.

## Quality of plastics

GUIDANCE NOTES aimed at raising the standard and quality of glass reinforced plastics cladding in building are being prepared by the newly formed National GRP Cladding Federation (NGCF). First drafts have already been completed on four main subjects — design tolerances; storage, handling and protection; handling and fixing on site, and model procedures for tendering.

These drafts will be further developed in collaboration with specialist departments of the National Federation of Building Trades Employers (to which the Cladding Federation is affiliated), with a view totheir acceptance by the building industry generally and to their forming a basis for possible future British Standards.

The NGCF is open to firms concerned with the supply, manufacture or fixing of GRP cladding. Associate membership is open to architects, consulting engineers and other professions operating in the field, as well as to manufacturers of such related products as sealants and resins. Mr. P. J. H. Telling (Bresnal Plastics) has been elected chairman and Mr. M. Hinde (Anmac), vice-chairman.

Inquiries should be made to Mr. K. M. Williams, Secretary, NGCF, 82 New Cavendish Street, W1M 8AD. 01-637 4771.

## £1m awards to Moss

WILLIAM MOSS (Construction) has been awarded two contracts totalling more than £1.1m.

The largest worth over £700,000 and due for completion by the end of 1979, is a warehouse for T. W. Kempton, of Leicester. The other, worth some £400,000, is for the rebuilding of Richard Roberts (Holdings) dye-works, previously destroyed by fire, in Loughborough.

## Quieter piling

THE FIRST licence to operate a system which can reduce the noise of steel sheet piling by 19dB(A) has been granted by the National Research Development Corporation to Mears Construction.

Called Mears Muffler, the system has been developed under a Building Research Establishment programme for use in steel sheet piling work in conjunction with double-acting air hammers.

Its special virtue is that it allows a panel of several piles to be driven within an acoustic enclosure while preserving the normal pattern of sheet piling operations. This is achieved by employing a pair of acoustic shrouds which act in combination.

The piles are pitched between a pair of conventional gates which have first been surrounded by a horizontal acoustic enclosure. A second, vertical shroud, which can both telescope and travel sideways, is then lowered on to the first enclosure. This permits each pile in the panel to be driven in turn first down to the level of the gate, then down to the required height above ground.

## IN BRIEF

- Largest among £800,000-worth of glazing contracts awarded to James Clark and Eaton is one worth over £50,000 for the magistrates court at Plymouth.
- A £100,000 order for asbestos-cement corrugated cladding sheets has been placed with TAC Construction Materials by Aktieselskapet Tonsberg Jernindustri for use on five harbour sheds in Sharjah in the Middle East.
- United Kingdom Construction and Engineering Company has been appointed mechanical contractor for the modernisation and extension programme at BTP Tioxide's Greatham Works, Teesside. The contract, worth over £1m, was awarded by Humphreys and Glasgow as managing agent for the overall project.
- Lesser Building Systems (Export) of Verwood, Dorset, has won a £150,000 contract for the supply of accommodation to Nigeria from Reamstan, a UK based import/export agency.
- S. Wernick and Sons has obtained orders worth over £130,000 for its Skidplan re-locatable timber-framed buildings from Cheshire County Council, The London Borough of Hounslow, Britannia Building Society and Round Oak Steel Works.
- Latest contracts awarded to Stanley Miller range from the building of a working men's club (£132,000) and the modernisation of 70 houses in Jedburgh (£404,500), to refurbishment work at Berwick upon Tweed (£1¼m) and Wallsend (£240,500).

APPOINTMENTS

# Divisional manager change at National Westminster

Mr. Cyril Townsend will become general manager of the management services division of NATIONAL WESTMINSTER BANK from December 31, when Mr. F. W. Gibson will be retiring. Mr. Townsend has been deputy general manager of related banking services division since February 1977.

★

Mr. C. A. Clarke has been appointed a director of ARBUTHNOT LATHAM and COMPANY.

★

J. LYONS and COMPANY states that, following the successful offer for its shares by Allied Breweries, Mr. A. E. Bide, Sir Alec Ogilvie and Sir Alex Page have resigned as non-executive directors of Lyons.

★

Mr. P. L. Blackstone is to leave the Board of YARROW and COMPANY in December on his retirement. Mr. J. Neumann joins the Board on November 1, and will continue as managing director of Y-ARD, the principal subsidiary. Mr. R. F. Rimmer will become deputy managing director of Y-ARD at the beginning of next month.

★

ESCHMANN BROTHERS and WALSH, a member of the Glaxo Group, have formed an operating theatre division to be headed by Mr. Peter Place and based at Lancing, Sussex.

★

Mr. Michael T. Mounch, assistant vice president, has been appointed chief foreign exchange officer at the BANK OF NEW YORK. He succeeds Mr. Albert Sansivero, vice president, who has been ill and will not be returning to the foreign exchange department. Mr. Mounch joined the bank in 1967 as a foreign exchange trader at the London branch and has been a senior dealer at the main office in New York since 1977.

★

PHILLIPS PETROLEUM COMPANY has elected Mr. Paul W. Tucker as vice president of the gas and gas liquids division in the company's natural resources group. Formerly manager of international gas and gas liquids, Mr. Tucker succeeds Mr. C. J. Silas, who has been elected senior vice president, natural resources group.

★

Mr. Peter S. King, banking manager Dow Banking Corporation London branch, has been appointed managing director of DOW FINANCE CORPORATION, Hong Kong, a new subsidiary of the Dow Chemical Company. Mr. S. James Baxter formerly Scandinavian representative, Dow Banking Corporation, is the new banking manager in London.

★

Mr. D. C. A. Magrath has been appointed unit trust manager of CRAIGMOUNT UNIT TRUST MANAGERS from November 1.

★

Mr. Ralph Rosen, chief dealer at the London branch of NORTH CAROLINA NATIONAL BANK, has been appointed a vice president. Mr. David Freud, who is a director of Carolina Leasing, has also been appointed a vice president of NCNB.

★

Following the disposal by Reynolds Metals Company of their shareholding interests in the BRITISH ALUMINIUM COMPANY, Mr. D. P. Reynolds, Mr. J. L. Reynolds and Mr. A. D. Reynolds have resigned as directors of BA.

★

Mr. D. Gay, at present with Common Brothers, is to join ENERGY SHIPPING as a director from January 1, 1979. From that date, in addition to its position as a broker for Vitol and others, Energy Shipping will become responsible for the chartering of the Common Brothers tankers.

★

Mr. Ralph Denne, previously group managing director of DAVENPORT VERNON HOLDINGS, has been appointed chairman and managing director. Mr. John A. Denne has been made deputy chairman and deputy managing director. Mr. A. E. Franklin Hole has retired as secretary and financial director but remains on the Board as a non-executive director. Mr. Alan S. Laxford has become a director and continues as managing director of two of the group dealerships. Mr. Donald J. Baker is now group secretary and financial director of Davenport Vernon and Co.

★

Mr. Michael Pitfield has joined the INSTITUTE OF PERSONNEL MANAGEMENT in the newly-created position of assistant director (membership and education). Mr. Pitfield was previously a lecturer at Slough College of Higher Education.

★

Mr. Peter Gymer, previously managing director of OSMOND AEROSOLS, has been appointed group managing director and becomes non-executive chairman. Mr. Peter Holmes, formerly sales director and Mr. John Paul, works director, have been named joint managing directors. Mr. Walter Jewitt, who was sales administrator, becomes commercial director and Mr. Rod Thrippleton, the company's chief chemist, has been made technical director. Osmond Aerosols is a member of the Talbex group.

★

Mr. Richard B. Geraghty has been elected vice-president and resident manager of the London office of SOUTHEAST FIRST NATIONAL BANK OF MIAMI as its European representative.

★

Mr. Allan Spink has been appointed a director of SAMPLE SURVEYS. He was previously with the Save and Prosper Group.

★

Mr. George Procter has been appointed head of UK operations by THYSSEN, of Germany.

★

Mr. John Leeney has been appointed a director of JAN MUNGLE. He will be involved in the company's promotion of tunnelling to engineers and contractors.

PERCY FOX AND CO. has appointed Mr. John Smither as Lanson agency executive. He will promote sales of Lanson on the UK market, in close liaison with their principals, Champagne Lanson père et fils in Reims.

★

Mr. James Walsh has been appointed managing director of CERAMIQUE INTERNATIONALE, the Bradford based ceramic tile importer and distributor of the Ibmac Group. Previously he was marketing controller of the Music Hire Group.

★

Mr. Agustin Gonzalez has become general manager in the UK and Ireland for IBERIA, international airlines of Spain. He succeeds Mr. Mariano Salinas, who is returning to Madrid to take up a new appointment at head office. Mr. Gonzalez has worked in the London office in the past. He makes his return to the UK and Ireland from his previous postings in Scandinavia and most recently as general manager in Geneva.

★

Mr. M. P. Harvey, managing director of Woodberry Chillcott and Co., has been elected president of the ASSOCIATION OF ENGINEERING DISTRIBUTORS. He had previously held office as first vice-president and also honorary treasurer of the association.

★

Mr. D. McKinlay has been appointed senior principal surveyor for the machinery design appraisal and plan approval department of LLOYD'S REGISTER OF SHIPPING. He will succeed Mr. C. Dearden, who retires on November 3. Mr. C. Archer has been made senior principal surveyor of the technical investigation and advanced engineering section of the research and technical advisory services department in succession to Mr. McKinlay. Mr. F. Kunz has become principal surveyor for technical investigation within RATAS department, replacing Mr. Archer.

★

The Board of HARTLEY COOPER LIFE AND PENSIONS BROKERS has been re-constituted and now consists of Mr. P. A. de Pinna (chairman), Mr. M. J. Hunt (managing director), Mr. K. A. J. Francis, Mr. J. M. Niblett and Mr. J. H. Miller.

★

EXCESS INSURANCE GROUP states that Mr. William Griffiths has been appointed vice president and deputy managing director of its affiliate Abbey International in Bermuda, and will be leaving Excess to take up his new position in November. He will become president on the retirement of Mr. Neil Coates next year. Mr. Brewster Righter will also be leaving the Excess to be vice president and treasurer with Abbey International in Bermuda.

The following additional management changes have been made. Mr. Ian Dean as director of general underwriting having responsibility for treaty reinsurance agency underwriting, North American property and liability, marine and aviation. His present position as treaty line of business manager will be taken over by Mr. Bruce Crowder, who will be joining Excess Insurance Group. Mr. Rex Barberis, in addition to his post as director of home and overseas operations, is now responsible for the accident department in London, encompassing the contractors all-risk, foreign casualty and bonds. Mr. Jeff Slocombe continues to be responsible for that department, but will report to Mr. Barberis. Mr. Derrick Garland, manager of the foreign property in London will also be reporting to Mr. Barberis.

Mr. Barberis will have functional responsibility for direct operations, and Mr. Dean will have functional responsibility for reinsurance, marine and aviation, in the European group, including associate companies in Germany and Holland.

★

Joseph Cartwright states that J. Cartwright Construction and Hayward and Wooster are to amalgamate and trade under the name of HAYWARD AND WOOSTER. The Board of the company will comprise John W. Fisher (chairman and managing director), Mr. Arthur C. Allen (assistant managing director), Mr. John L. Mitchell and Mr. Ed Mould. Mr. Ken Sharp will be local director. Mr. David J. Olson has become a director of DAVIES MIDDLETON AND DAVIES, a member company.

★

Mr. Brian Burke has been appointed group director of marketing of COMPAIR. He was previously with the Massey-Ferguson Group.

★

Mr. H. Barrett, having reached retirement age, has relinquished position as financial director of HARTWELLS GROUP but remains on the Board in a consultative capacity. Mr. P. C. Barrett, director, has been appointed financial director.

★

The Secretary for Employment has appointed Mr. Frank Metcalfe as chairman of the SHIPBUILDING INDUSTRY TRAINING BOARD from November 19. He will succeed Mr. F. James Fielding, who has been chairman of the Board for the past eight years. Mr. Metcalfe was until recently director of the Engineering Industry Training Board.

★

Mr. Michael T. Wetson has joined CREATORS as sales director and Mr. Geoffrey J. Nichol has become technical director. The parent concern is Plates International.

★

Mr. Ian Jay has resigned as a non-executive director of REA BROTHERS to devote all his time to his position as a managing director of Cocoa Merchants.

# The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

## A computer buyer's nightmare

**The precarious position of computer buyers, confronted with confusing and sometimes misleading claims from suppliers, was discussed recently on this page. Today Sidney Paulden recounts an embittered user's extraordinary story**

THE DoE's Transport and Road Research Laboratory in Crowthorne has been using a big mainframe computer since 1969. Two years ago, having added more memory capacity and terminals year after year, it was decided that the time for a complete replacement had come.

But the specification and procurement of a replacement was a long term exercise, and the head of the TRRL Computer Services Department, Henry Parten, decided that one way of relieving the burden in the meantime would be to invest a modest sum of money on what he called a MUM—a multi-user mini.

Simultaneously, the Technical Information and Library Services division of TRRL had outgrown its own computer and was interested in buying a so-called DAD—a minicomputer that would be Dedicated to Abstracts Dataprocessing—which would assist the information retrieval service provided by Crowthorne for the International Road Research Documentation scheme.

So Henry Parten embarked upon a project to purchase two virtually identical minicomputers. "We learned a lot in the process and I think we can pass on many lessons to others facing the same task.

"Remember that we were not exactly naive about computer acquisition, since the members of our team had all grown up with computers. The transistor hadn't even been invented when I joined the service. Yet I can report that we were surprised at the way in which minis were sold. Anyone might have thought we were buying a car, not a computer."

Since it is a Government agency, the TRRL decided it had to do everything possible to ensure that the maximum number of potential suppliers of minicomputers had a chance to quote, and that the best possible value for money was secured in the end. As many as 18 different firms were approached, each given the same details concerning the requirements for two installations.

"We wrote to some of the giants and some of the midgets in the business," says Henry Parten. "The quality of their response did not necessarily reflect their reputation in the industry."

Seven companies declined to make a proposal, while three simply failed to reply at all. One offered a combined system for both installations, though the TRRL request had made it quite clear that there had to be two independent systems. One declined to compete for the MUM machine and, in the proposal for the DAD machine for the library service, exceeded the maximum stipulated budget by 40 per cent. This left six potential suppliers still in the running for the orders, which would produce a total contract in the region of £100,000.

**'He could not understand the machine that he was selling'**

TRRL then produced a request for a more formal proposal to a detailed specification. It was estimated that the MUM machine would have to serve about 30 different users around the TRRL site, with up to four using video display terminals simultaneously at any one time. The installation would need to have a capacity of 96,000 bytes (48,000 words), with a 12 megabyte (12m bytes) cartridge disc, a medium speed printer and a "virtual memory" operating system.

It was vital for the programming requirement on the part of the user to be minimal and, as an "open-shop" machine, it had to be capable of running completely unattended. "At the computer division," says Parten, "we were willing to switch it on in the morning and off in the evening—and that's all—and perhaps type in the date."

The computer language required was Fortran and the machine had to operate more rapidly than the mainframe computer, as the intention was to attract users to the mini rather than to oblige them to use it.

These requests were included in the formal "Operations Requirement" that explained what TRRL wanted to do with the equipment, leaving it to the manufacturers to show how they would be able to achieve the objectives.

All six companies on the shortlist replied, but the buying team was horrified at the poor quality of the presentations made during the salesman's visits. The complexity and lack of comparability of the quotations was also a problem: though TRRL had not specified the way bids should be laid out, Paten complained of "the way many suppliers tried to wrap the price up, so that you could only find out later what the real expenses would be."

Some proposals were not capable of multi-access by several remote users, others were unable to reach the specified capacity. One insisted on offering two entirely different sets of hardware for the two identical computers being requested. One salesman was incapable of understanding the machine he was offering and the TRRL team had to relieve him of his technical brochures and explain them to him.

Some had a set sales *spiel* that was irrelevant to the business on hand, and they insisted on glorifying the benefits of COBOL or BASIC language abilities of their products, when TRRL was interested solely in Fortran.

The potential suppliers were narrowed down to three (two British and one American) and the buying team then asked for practical demonstrations of the equipment. The first to be arranged was on a bigger machine than the one being offered for this particular contract, but even so, its response time increased from a few seconds to an unacceptable several minutes when the TRRL tried to run a program in which the amount of reference material demanded by the program exceeded the machine's internal memory capacity, so that it had to access the disc.

The second demonstration was impressive up to calls of about two-thirds the specified capacity, but could not cope with the 90K byte program tried by TRRL. The equipment would have had to be loaded with software that would demand too much programming expertise on the part of the remote user.

The final demonstration was on the premises of a customer who had only taken delivery of his machine a few days earlier. It was of the same capacity and similar configuration as that required by TRRL.

**'It is essential to insist on the manuals'**

It handled the largest capacity program with ease and its response time remained within seconds, even when six other users were plugged in. Furthermore, the price turned out to be the lowest of the six being offered. It was an American machine, made by Prime, and had to be the choice of the TRRL, even though the team would have liked to buy British.

A true cost comparison had proved a very difficult process. Of the six quotes, some included the first year's maintenance charges, others did not. One charged less for the first year and more for subsequent years. One overseas supplier omitted to mention there would be import duty additional to the stated price. Some quotes included the four video terminals, others expected the buyer to add that expense separately. Only one company seemed capable of delivering the machine within the financial period for which the budget had been allocated.

Now that the minicomputer installations have been running very satisfactorily for a year at the laboratories and library in Crowthorne, Henry Parten has agreed to tell the story of the acquisitions, at Minicomputer Forum being organised by Online Conferences in London next month.*

"Although we were extremely thorough in our approach, we were able to carry out the whole buying procedure, from first request to the actual installations, in little over three months.

"I can warn potential mini-buyers that they must be sure to know what they want and not assume that they can leave it to the manufacturers to tell them. They must have technically competent people on their side of the negotiating table. It is essential to throw away the glossy brochures and insist on the manuals — the manual for the file management system, the manual for Fortran, for the operating system—even if you borrow them for a few days, as they might not be available as hand-outs.

"Finally, it is absolutely vital to see your own programs operating successfully on an identical machine. You cannot assume that without such a demonstration it will be all right on the day. The user has a wide choice of minicomputers, and you need to hunt through a large number of offers before you find the one that will really meet your requirements."

**Online Conferences Ltd., Cleveland Road, Uxbridge, Middlesex.*

EXECUTIVE HEALTH

BY DR. DAVID CARRICK

## Eulogies, ancient and modern, on the wonders of garlic


*"The thing that hath been, it is that which shall be: and that which is done is that shall be done: and there is no new thing under the sun."* (Ecclesiastes 1:8).

WHEN these words were written some 3,000 years ago, it could hardly have been foreseen how accurate they would prove to be in an unimaginable 20th century world.

Man's emotion and intelligence have not evidently altered throughout the known history of civilisations. Only the direction of reasoning has displayed many a change—something that should never be called progress, but too often is.

Examples are innumerable, but here I can mention just a tiny handful. New technologies, particularly in electronics, are astounding, and one only can be amazed to find young people who are able to grasp and employ these marvels, whereas their 16th-century ancestors possessed less than a scintilla of such knowledge.

But this does not mean to say that people nowadays are more intelligent; only that the channels and disciplines have been altered.

That sad little girl, known as the Nine Days Queen, the Lady Jane Grey, was totally ignorant of transistors or any other such modern miracle; yet her religious knowledge and grasp of Canon Law was of such profundity that, at the age of only 17, she trounced and confounded her inquisitors, most of whom were the greatest divines of the day.

Even crime and villainy has altered little. Football hooliganism is thought by most to be a modern phenomenom. . . but 20 years before Vesuvious blew her top and destroyed everything within miles, rival fans of the Pompeiian gladiators clashed so savagely with the visiting supporters of the Nucerian team that, according to Tacitus, the Roman Senate closed down the amphitheatre for a full ten years.

Therapeutics must have been very different. Yet very recently have come reports of a marvellous "new" drug which, according to a German professor, reduces the risk of coronaries by "lowering blood cholesterol levels." Better still, this wonderful agent is claimed to be far superior to penicillin. His "new" panacea is garlic.

### Wise men

While not disputing the professors' claim, I think that he should extend his trials to other fields. After all, early mediaeval doctors would not be without it because it was considered to be a "specific" against a fairly wide variety of afflictions, including tapeworms, kidney stones, tuberculosis, hypertension, piles, goitre, typhoid, scabies, diphtheria, ringworm, earache and bad livers . . . to name but a few. It was also considered to be "most excellent" for "the gangrene." If those wise men were right in seeing it as such a "cure-all," our worries about the collapsed NHS would be at an end.

Personally I am a little dubious about all the claims, ancient and modern, but have no reason to doubt that the stinking weed was as good as holy water when it came to keeping vampires off ones' neck.

Even more notable, I think, is the notion entertained by that great old genius, Professor Fred Hoyle, who has turned his eyes to the heavens and considered that comets and other extra-terrestrial forces are responsible for major epidemics. The ancient Babylonians had no doubt about it; and mediaeval man was well aware that comets were displays of wrath by God as trailers for horrific epidemics.

Perhaps the greatest epidemic killer is and has been influenza, the numbers slain from man's beginnings numbering countless thousands. One of the worst epidemics ravaged the world in 1743, and it was in that year that this "vile sweating sickness" acquired its modern name. Curious, really, that it should come from the Italian and mean then (and maybe now) "influence of the stars."

However right or wrong the long dead seers were, can never be known: and only time will reveal the truth of the postulations of our modern technological wizards. One thing is certain. In spite of the medical advances of countless centuries—including very valuable immunisation — epidemics of this often deadly family of diseases will recur and reap their bleak harvests.

## Business courses

**Job Evaluation: The Settling of Differentials.** Brunel University, Middlesex. October 30-November 2. Fee: £170. Details from Management Programme, Brunel University, Uxbridge, Middlesex.

**Management Development Seminar.** The University of Cambridge. December 11-15. Fee £285 plus VAT. Details from University of Cambridge Board of Extra-mural Studies, Madingley Hall, Madingley, Cambridge CB3 8AQ.

**The Work of the Personnel Department. Institute of Personnel Management.** November 20-24, at the London Embassy Hotel, 150 Bayswater Road, London W2. Fee £200.88 members, £250.56 non-members. Details from IPM, Central House, Upper Woburn Place, London WC1.



## Dutchman throws out an R & D challenge

"RESEARCH DIRECTORS in German companies tend to spend too much time worrying about their part-time professorships, rather than ensuring that their department's work is geared to market requirements."

"Britain spends about £6bn a year on research and development, yet only one in five R and D projects is successful. The rate of success should—and could—be increased."

The challenger, in both cases, is a Dutch management consultant, Dr. Johan Wissema, who next month will be holding workshops in London and Dusseldorf on the effective management of research and development.

*One of the innovations of Dr.* Wissema's workshops — being mounted by the consultancy for which he works, Bakkenist, one of the Netherlands' largest—is its emphasis on specific, often mathematical techniques.

One section of the workshops will deal with what he calls "R and D key numbers"—a technique which claims to forecast the future profitability of projects and products still in the research stage.

Other main themes will be better management of the "interface" between the market and R and D; mechanisms for the establishment of closer links between R and D and a company's long-term strategy; and improved management within the R and D department: one of Dr. Wissema's suggestions here is for the occasional introduction of production engineers and other "outsiders" into the senior management of R and D departments.

The workshops, entitled "Strategy and management of the research and development function," and costing £440, will be held in Dusseldorf from November 7-9 and in London from November 13-15.

Details from Bakkenist Management Consultants, Emmaplein 5, 1075 AW Amsterdam, Netherlands. Tel.: Amsterdam 763666.

LOMBARD

# Callaghan and the EEC snake

BY SAMUEL BRITTAN

IN A recent article I gave odds of two- or three-to-one in favour of the UK joining the European Monetary System, popularly known as the supersnake. As a matter of reporting, it must be said that there are those close to the Prime Minister who would give exactly opposite odds, that is two- or three-to-one against.

*The greatest reservations* about the scheme are being expressed by those most concerned with the internal political consequences in the run-up to an *election. Rather than continue* the guessing game with another set of odds I shall set out the factors on which the decision is likely to depend and end up with a *proposal of my own.*

The internal Labour Party aspect is easiest to state. It is of course always possible that a backbench anti-snake motion *might be tabled: and if political* interest hots up the Prime Minister might in any case think it prudent to seek Parliamentary endorsement.

## Loyalty

If this were all, I suspect the problem could be *handled. There* is a premium on loyalty before an election even among Labour backbenchers; and pro-EEC sentiments among the solid centre *of the Conservative* benches would probably get the better of doubts on the economic theory of the snake.

A much more important *political deterrent is that a* devaluation just before an election would be regarded as unpopular. And could the UK enter the EEC snake without a devaluation, *unless the foreign exchange* market anticipated matters by depreciating sterling in the last few weeks of freedom before January 1?

The most important point of all is that the member of the electorate *who most fully shares* the popular antipathy to devaluation is Mr. Callaghan himself. This clearly has its roots in the humiliation he suffered as Chancellor *when devaluation* was forced upon him in 1967.

But the Prime Minister now sees the matter in wider terms. His political mission in life—which has almost struck terror into some of his associates—is *to conquer inflation. Patriotic* and political instinct are here indissolubly merged.

He is very well aware of the way in which the strength of sterling has helped to keep inflation in single figures, despite the avowed failure of Stage Three pay policy. He is also *aware that the higher the rate* for sterling on the foreign exchange market the less companies facing international competition can afford to pay in wage increase.

With the crumbling of the 5 per cent guidelines of Stage Four, even more importance will be attached to this *constraint.* In short, the course that is likely to lead to the highest level for the pound *in nine months' time* is likely to be one the Prime Minister favours.

Thus the main consideration that could decide the matter against the supersnake is fear of the depreciation it might bring.

The official negotiations which are still centred around the absurdly overblown question of whether the parities are to be fixed against the basket *or grid* will give next to no information on such questions.

One dilemma is that the conditions on which British *Ministers* have *placed most* emphasis—such as continued freedom to change parities, ample credit, and a so-called bias towards growth — would all weaken the *anti-inflationary* impact of the scheme and increase the likelihood of sterling falling. The worst solution of all would be an attempt to maintain *sterling inside the new* snake on the basis of promises of German credits.

## Reserves

There are still very keen *recollections in Whitehall of the* time in 1973 when Mr. Heath and Herr Brandt, then German Chancellor, announced after a dinner discussion that the German and British reserves would be pooled, only to discover after *a few hours of discussion with* the Bundesbank that no such scheme was possible.

In fact no amount of credit or even *reserve* pooling will long *protect an exchange rate if there* is a discrepancy in underlying inflation rates or other fundamentals.

How then do we avoid a Hobson's choice, where either joining the snake or the interpre*tation put upon not joining* would weaken sterling unnecessarily? It is not too soon to start drafting a statement in the best Treasury language saying that in view of outstanding problems about the operation of the new *system the Government could not* take an immediate decision to join, but hoped to do so eventually.

Its immediate priority was the domestic anti - inflationary struggle, which was a pre-condi*tion of membership.* Policies were therefore being directed to maintaining the strength of sterling in the market; and to this end the monetary targets for the next 12 months were being reduced by 1 or 2 per cent.

Not ideal, but probably the best way to retrieve something after the messy way in which the European monetary question has been handled in London.

THE WEEK IN THE COURTS

# Reducing the workload of the European Court

BY JUSTINIAN

AT THE meeting last week of the Ministers of Justice at *Luxembourg the Lord Chancel*lor alluded to the workload of the European Court of Justice and tentatively proposed ways in which the jurisdiction and working of the court might be modified. He was responding to the call from *the president* of the court who had recently *drawn the attention of the mem*ber states to the fact that it was in danger of being swamped by the number of cases being referred to it by national courts. Twelve years ago, and three years after Britain's initial *failure to gain entry into the* Common Market, Lord Wilber*force, now the senior Law Lord,* wrote that the European Court of Justice "continues to grow in stature: it is evidently one of the key creative organs" of the European Economic Community. If five years of British experience has not *diminished* the esteem in which the court is held, there is a distinct *worry* that an inability to cope with the volume of work might seriously detract from the quality of justice emanating from Luxembourg. That is why the proposals for reform deserve urgent consideration.

The Court's President made a simple proposal of an increase in the staff—an establishment of 12 judges instead of the present nine and an additional Advocate-General. But the ministerial reception to an increase in manpower was unenthusiastic. The mood *of Ministers* was very much more directed to looking at means of reducing the load on the judges. And the Lord Chancellor, while advocating an exploration of the court's jurisdiction at greater leisure than could be given at a two-day meeting of Ministers, clearly thought that the approach should be one of chan*nelling the important cases and* sifting out the unimportant. To this end he put forward a suggestion that only appeal courts *should be allowed to refer* points of Community law to *the European Court.*

The present rule is that a court or tribunal below the final court of appeal may, but is not obliged, to refer questions of Community law that arise *in national litigation* where the point must be deter*mined before the national court* can properly give judgment. Experience to *date is that quite* the largest number of requests *for preliminary rulings* in the European Court comes from courts of first instance, or at least from intermediate courts of appeal. In England when the matter first came to the courts, Lord Denning sought to lay down certain "*guidelines*" in an apparent attempt to restrict the use of references in much the way envisaged by the Lord Chancellor. The attempt was marred by some confusion of thought about the law on the subject. *What Lord Denning* overlooked was the fact that, while a *national court* has a discretion whether to refer, that discretion must be exercised in the light of the purposes of the relevant Article in the Rome Treaty — Article 177. The European Court itself in 1974 had held that considerations of national law were irrelevant to the exercise of *that discretion* by the national judge. Thus *Lord Denning's* "guidelines," as a matter of law, possess no authority; and in practice they seem to have had little or no impact. Decisions to refer by lower courts have in fact disregarded the *diktat* from the Master of the Rolls.

## Early ruling

Already a National Insurance Commissioner has made a reference, and the stipendiary magistrate at Marlborough Street Magistrates' Court made a reference in a case concerning a recommendation to deport a migrant worker who claimed that he could not be deported. And only *this summer* a judge at Bristol Crown Court *made a* reference in another case *invoking the freedom of move*ment of workers; it was a case *where* an Irish *woman* was given a discharge conditional on her returning to Ireland and not coming back to Britain.

There is a positive virtue in an early reference, rather than delaying it until the national litigation has scaled the ladder of the national court system. An early ruling on Community law—which only the Court at Luxembourg can give definitively—allows problems of Community law to be resolved rapidly in the preliminary *stages of litigation* and provides the European Court with the *earliest opportunity of* resolving doubts, not just for the national court with *its* pending litigation but also for the courts of all member states.

There would be nothing worse than a postponement of an important Community law point until some litigant had a pocket long enough to take his case to *the highest court in a member* state before going off to Luxembourg to resolve a point that could have been disposed of conveniently before the costs of litigation had mounted, perhaps astronomically. The *Lord Chancellor's suggestion* should be quietly buried.

*Where then lies the remedy* to the burdensome and growing caseload of the European Court? The source of the remedy lies in the internal procedures of the court. Reform in this area would have the prime virtue of involving no amendment of the Treaty itself, and hence could be achieved that much more easily. There is little *doubt, moreover, that there is* room for streamlining the court's procedure without any loss of quality. One method would be to create separate chambers of a smaller number of judges for specialist subjects, or even to establish a new tribunal for special areas of law. The field of patent law is one such subject that might be *treated in that way.*

Another proposal would be to *enhance the status of the* Advocate-General, who at *present advises the court by* publishing a lengthy opinion. The Advocates-General are all of judicial quality, and their opinions are very often more profound and professionally acceptable than the shorter, compromise judgments of nine disparate judicial minds.

Many people regard the opinions of the Advocates-General as if they were almost decisions of the court of first instance that are automatically reviewable by the court. Why not confirm that view by treating the Advocate-General's opinion as a judgment which could, but need not, be appealed to the court? The parties to the litigation, on seeing his opinion, might well be content to accept it as binding on them. In that *event at least a few of the cases* referred to Luxembourg could *be filtered away from the more* expansive process of a full-scale hearing before the court of nine judges.

GOLF BY BEN WRIGHT

# Aoki v Owen in 600-1 world match-play final

THE MOST unlikely final of the Colgate world match-play championship will take place over 36 holes today when Simon Owen of *New Zealand* meets Isao Aoki of Japan, in the last stanza of this year's protracted, mist-enshrouded event.

Joe Coral, the London book*makers, had offered* 600-to-one against this final pairing before the event started.

The sponsors have been just as unfortunate in their *subsidiary event for* first and second round losers. The three seeded players who were sent packing from the major tournament on Saturday were similarly evicted from the consolation match-play event yesterday.

In the semi-finals over 36 holes of the major tournament, *Owen beat* Graham Marsh (Australia), the defending champion, by two-and-one and Aoki beat the burly American Ray Floyd by three-and-two in a *match of superlative quality.*

In the quarter-finals of the subsidiary event the three seeds beaten were Tom Watson, who lost by four and three to big Andy Bean, Seve Ballesteros, tamed by David Graham by three and two, and the Britisher Nick Faldo, sent packing at the final hole by Dale Hayes.

Floyd was five-under-par for the 16 holes of the afternoon round, and yet lost ground to the inscrutable Japanese, who was himself six under par for the *distance.* In effect Aoki had 11 birdies in his last 23 holes to destroy as fine a match player as Floyd, who himself had five twos at the par-threes during the day. It was all magnificent stuff, *unfortunately* viewed largely with academic interest by a sparse crowd frustrated at *being deprived on Saturday of a* home-bred hero to cheer.

Aoki was two up at lunch after a scrappy morning encounter. And then the fire*works began.*

Floyd drew first blood at the first hole, where the Japanese dropped a shot to par for only the second time on the day. The second hole was crucial—after Floyd had holed out from 35 feet Aoki followed him for a two from five. *The Japanese* went two up again when Floyd dropped one of only two afternoon strokes to par at the third, and the Japanese won the sixth *and seventh to go four up.*

The eighth was brilliantly holed in birdies, Floyd following his opponent from eight feet, after Aoki had holed from twice *that distance.*

The Japanese dropped another stroke to par to lose the ninth, yet still managed to turn for home for the last time in 33 shots, and three up.

In the last seven holes of the match there were eight birdies between them. *The tenth* was halved in two, where Aoki was only two feet from the hole, and Floyd rolled in an immensely brave putt of 16 feet.

The Japanese *achieved* his winning birdie at the next with a 30 feet putt, and after both had played the 12th scrappily Aoki played a fine second shot ten feet from the 13th hole and got *his birdie from ten feet.* Bravely Floyd recorded birdies at the next three holes, winning only the first two. After holing from seven feet at the *16th,* Aoki closed the door by sinking a short putt.

Owen was one up at lunch against Marsh, but the Australian made a brilliant eagle at the *fourth hole of the afternoon* by putting his three wood shot a foot from the hole to square the match.

When the champion went one *up at the next, where the slim* New Zealander missed the green, it seemed that such a deadly match player as Marsh would surely pull away from *his far less experienced* opponent. Instead Marsh went to sleep, making a dreadful mess of the three holes before the turn.

*He was forced to concede* all three to go two down, and when Owen chipped into the 10th or 28th hole from 30 feet Marsh was as good as doomed against *such a cool customer.* And so it turned out. Owen holed a magnificent 15-foot putt for a half in birdie four on the 33rd green.

*The New Zealander* made a dreadful hash of the 34th in the trees on the left, to allow Marsh to get back to only one down. But a marvellous birdie for Owen *clinched* things at the 35th, and the form in the Open Championship at St. Andrews was fully borne out.

RUGBY BY PETER ROBBINS

# England cracks unfilled

ARGENTINA reached yet another historic milestone in their Rugby life by drawing *13—13 with an England XV* which, to all intents and purposes, was a full national side. It was a noble effort, and far removed from the acrimonious scenes of Moseley last Saturday.

Those are not forgotten, and Argentina has clearly *learned* many lessons since their first game at Oxford. They admit that they are here to learn, but also have something to teach us as well—mainly in their vitality and enthusiasm, of which England had *little.*

The Argentinians have also *improved their scrum* technique, and were not given the expected runaround in the set pieces. Obviously a touring side gets itself super-fit, but it is the ability and, above all, the desire to live slightly dangerously that *have won them so many* admirers. Yet again they scored an impudent try from a short penalty.

If Porta and Landajo, the half-backs are the core of the Argentine attack, with Sansot floating *ethereally behind them,* what was obvious on Saturday was the sheer character of the pack that enabled these three to shine so illustriously. They have also learned discipline, and have brought to England a freshness that *those of Latin origin seem* uniquely capable of expressing.

Sandy Sanders, the chairman of England's selectors, was under no illusions before the match, and did not foresee an English romp. Neither could he have foreseen the sheer lethargy of the England side. How for*tunate,* then, that England have had this match to make certain re-assessments of some established players.

Looked on as a trial, it was a valuable *exercise;* regarded as an occasion for team unity, it *was much less-successful.* There were three players, each with a glorious chance to secure an England place this year, the most important of which was the scrum-half. *The fact is* that there are about six players, all at *the same level of mediocrity,* including Gifford, who can take that place.

After a bright start, he was obsessed with *running* and passing unproductively to the blind side. Not only that, he also takes *an age to wind up, so that vital* yards are sacrificed. The first requirement of a scrum-half is a quick pass; length can come later.

For all that, Horton at fly-half is the one person who can show *any originality, and his support* off the ball was excellent.

*Bushell, the full-back,* has kicked a lot of points this season, but contrived to miss five penalties. Matches these days are won by the boot rather than the hand. Caplan's attacking qualities will be vital, particularly as the centre *play is so pendantic.* Warfield, now back after a serious injury, has tremendous physical presence, like Kent, but is much more literate. Bond, also will press his claim, but the fluency, even with Dodge, is still missing, and, *therefore, England on Satur*day's showing can still not make full use of their splendid wings, Slemen and Squires.

The greatest upset of Saturday's game was in the sluggishness of the England pack; with the exception of Rafter on occasions, the back-row play was woeful and clumsy. Neither Scott nor Dixon got to the breakdown quickly enough, and when they *arrived lost all dexterity.*

Uttley is back in circulation, though I *have not seen him* myself this season. He could come into the second row or No. 8 position. Good No. 8s have a feel and instinct for the game which Scott certainly at this stage does not possess. England's *selectors will also have to con*sider the claims of Neary and, of course, those of Mordell.

If Uttley is considered in the second row, where does that *leave the choice between Horton* and Colclough. Horton has been the *enfant terrible* of English Rugby for some while, yet in France he is considered the best second-row forward around. Beaumont still has the same *quality of leadership by example,* but what was disturbing was that the English forwards seem to have forgotten their primary duties. So often an extra pair of hands hindered Gifford—both Nelmes and Scott were particu*larly guilty of this.*

Finally, this game will have served as a salutary lesson to those who thought that the cracks had been filled in the English team. Far from it.

BASEBALL BY JUREK MARTIN

# Yankees' season and a half

IN A SENSE, Mr. Rupert *Murdoch deserves a vote of* thanks for having helped make this a memorable baseball season. Had he and the publishers of the New York Times and Daily News settled their differences with the New York print and journalists' unions early in August, the newspapers would have been able to devote acres of space to the enduring soap opera that is the New York Yankees and would have so distracted them that they would never have made their dramatic *overhaul of the seemingly* invincible Boston Red Sox—nor their current levelling of the World Series against Los Angeles Dodgers at 2—2, having been 0—2 down.

With no papers around to *detail their loves,* hates and rivalries, the Yankees had no alternative but to play baseball.

The New York-Boston contest for the American League East title in the end dwarfed all else this summer—not that this was *an otherwise insignificant* season.

Pete Rose *of the Cincinatti* Reds, for example, the personification of hustle, put together a 44-game hitting streak, surpassed only by Dimaggio of bygone days, and *Gaylord* Perry, in his 40th year, was unquestionably the best pitcher in the National League.

Back in the American League East there were just Boston and the Yankees. For more than half the year the Red Sox carried all before them: Jim Rice was simply the best power hitter in *the game and was ably comple*mented by the ageless Yazstremski and pitchers who managed to yield fewer runs than Rice and company scored. Towards the end of July, the Sox stood 14 full games ahead of the bickering Yankees.

And how the Yankees bickered. Last year's troubles, it seemed, were a mere dress rehearsal for the grand event of 1978. Billy *Martin, the manager, is a man* whose knowledge of the game is unfortunately surpassed by his temper. He feuded with everybody, with George Steinbrenner, the *autocratic owner,* and with his slugging superstar Reggie Jackson.

The denouement came in late July. Martin went (only, mysteriously, to be rehired for the 1980 season). More immediately, *Steinbrenner turned the team* over to a nice quiet gentleman called Bob Lemon whose only known interest is in letting his players get on with the game.

*Shortly thereafter the* New York newspapers shut down. The Yanks surged and the Sox, hobbled by injuries and nerves, choked. Ron Guidry mowed *down every one in sight and, the* hoariest pitcher of them all, the great Jim "Catfish" Hunter, shrugged off his ailments and pitched like he had in his glory days with Oakland *earlier in the* 1970s. With two weeks left, the Yankees swept past the Red Sox.

But the Sox, to their credit, did not fold. With Rice matching Jackson belt for belt, the Beantown Bombers won the last eight games of the regular season. The Yanks did not quit either, but lost the last game to lowly Cleveland and thus fell into a tie.

The *one-game* decider was up in Boston's Fenway Park, its short left field wall reputedly death to left-handed pitchers. And who should be pitching for the Yanks but the best left-hander in Baseball, Ron Guidry, the man who had won, astonishingly, 35 of his last 39 decisions over two seasons. Up for Boston was none other than Mike Torrez, the Yankee stalwart of only a year ago, traded away in the off-season by a diffident Martin.

The Yanks won 5-4. Guidry got the victory, though he has pitched better. *Reggie Jackson* got a home run, naturally, but the unlikely hero was the modest infielder. Bucky Dent, whose three-run shot gave New York its *come-from-behind* triumph.

In the play-offs, the Yankees knocked off Kansas City and the Dodgers predictably removed the Phillies, setting the stage for a *re-match of last year's World* Series which Yankees won.

*The trouble is that Rupert* Murdoch is publishing again.

RACING BY DOMINIC WIGAN

# Newmarket raiders can conquer

NEWMARKET trainers, who have been enjoying a particularly good time at Pontefract *this season, again look* set to dominate on the south Yorkshire course today.

In order of appearance, Spanish Philip, St. Theresa, Mai Pussy and Haven Bridge, could all score for their Newmarket handlers, Bill Marshall, William Hastings-Bass, Ben Hanbury and Henry Cecil.

The best bet from the quartet should be Greenland Park's year-older stable mate, St. Theresa, among the runners for the October Handicap. This chestnut St. Chad filly who, surprisingly, failed to win in four attempts *as a juvenile, in spite of show*ing notable potential on her first two appearances, finally got off the market at Ayr last month. There, the rather lightly made Newmarket three-year-old found no difficulty in disposing of Safety Measure over seven *furlongs.*

Well treated here with 7 st 8 lb, St. Theresa, almost certainly a better filly than she appears on the book, looks set *to follow up over a furlong* longer trip.

Another race which looks set to fall to the south, though not to a Newmarket trainer, is the minor nursery in which Peter Walwyn saddles the luckless *Rectitude.* A head second to Aventina when showing much improved form over seven furlongs at Chepstow in August, this grey daughter of Runnymede *again occupied* the runner up's spot when failing to catch Ribbon Dancer at Salisbury last month. She too should have few problems in the one mile minor nursery.

**PONTEFRACT**

**2.15—Cousin Ribby**
**2.45—Spanish Philip**
**3.15—St. Theresa****
**3.45—Mai Pussy**
**4.15—Rectitude*****
**4.45—Haven Bridge***

# TV/Radio

† Indicates programme in black and white

## BBC 1

*9.38 am For Schools, Colleges.* 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill. 1.45 The Flumps. 2.01 For Schools, Colleges. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 The Mole and the Bulldozer. 4.25 Jackanory. 4.40 C.B. Bears. 5.00 John Craven's Newsround. 5.10 Blue Peter.

5.40 News.
5.55 Nationwide.
6.20 Nationwide.
6.45 *Dad's Army.*
7.20 Tycoon.
8.10 *Panorama.*
9.00 News.
9.25 *The Monday Film:* "White Lightning" starring Burt Reynolds.
11.05 Tonight.
11.45 Weather/Regional News.

All Regions as BBC1 except at the following times:

Wales—1.45-2.00 pm Pili Pala. 4.40-5.00 Siangdifang. 5.55-6.20 Wales Today. 6.45 Barney Bear. 6.50-7.20 Heddiw. 9.25 Gareth. 10.55 Young Artists. 11.45 News and *Weather for Wales.*

Scotland — 10.00-10.20 am For Schools (Around Scotland). 5.55-6.20 pm Reporting Scotland. 11.45 News and Weather for Scotland.

*Northern Ireland*—3.53-3.55 pm Northern Ireland News. 5.55-6.20 *Scene Around Six.* 11.45 *News and* Weather for Northern Ireland.

England — 5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); *Midlands Today* (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

## BBC 2

10.05 am The Role of the Nurse.
10.30 Get Organised—For Safety's Sake!
11.00 Play School (as BBC 1 3.55 pm)
2.15 pm Let's Go.
2.30 *Roads to Conflict.*
3.00 Knitting Fashion.
3.30 Making Toys.
4.00 The Object of the Exercise.
5.20 Open University.
7.00 News on 2 Headlines with sub-titles.
7.05 World Chess Championship Report.
7.30 News on 2.
7.35 One Man and His Dog.
8.05 Bead Name (Canadian cartoon).
8.10 Des O'Connor Tonight.
9.00 Premiere 2.
9.30 *Discoveries.*
10.20 Word for Word.
10.50 The Price of Freedom.
11.05 Late News on 2.
11.20 Open Door.
11.50 Closedown (reading).

## LONDON

9.30 am Schools Programmes. 12.00 Mice and Mendelson. 12.10 pm Pipkins. 12.30 At the Embankment with the Rolly Band. 1.00 News plus FT Index. 1.20 Thames News. 1.30 About Britain. 2.00 After Noon. 2.25 Monday Matinee: Melina Mercouri in "Promise at Dawn." 4.20 Clapperboard. 4.45 The Tomorrow People. 5.15 Mr. and Mrs.

5.45 News.
6.00 Thames at 6.
6.25 Help!
6.35 Crossroads.
7.00 Cooper—Just Like That!
7.30 Coronation Street.
8.00 Robin's Nest.
8.30 World in Action.
9.00 Sandbaggers.
10.00 News.
10.30 Monday Night Film: "A Severed Head" starring Lee Remick, Richard Attenborough and Claire Bloom.
12.20 am Close: A Pre-Raphaelite painting accompanied by the music of Brahms.

All IBA Regions as London except at the following times:

### ANGLIA

[illegible]

### ATV

[illegible]

### BORDER

[illegible]

### CHANNEL

[illegible]

### GRAMPIAN

[illegible]

### GRANADA

[illegible]

### HTV

[illegible]

### SCOTTISH

[illegible]

### SOUTHERN

[illegible]

### TYNE TEES

[illegible]

### ULSTER

[illegible]

### WESTWARD

[illegible]

### YORKSHIRE

[illegible]

## RADIO 1 247m

(S) Stereophonic broadcast. Medium Wave. [illegible]

## RADIO 2 1,500m and VHF

[illegible]

## RADIO 3 464m, Stereo & VHF

[illegible]

## RADIO 4 434m, 330m, 285m and VHF

[illegible]

## BBC Radio London 206m and 94.9 VHF

[illegible]

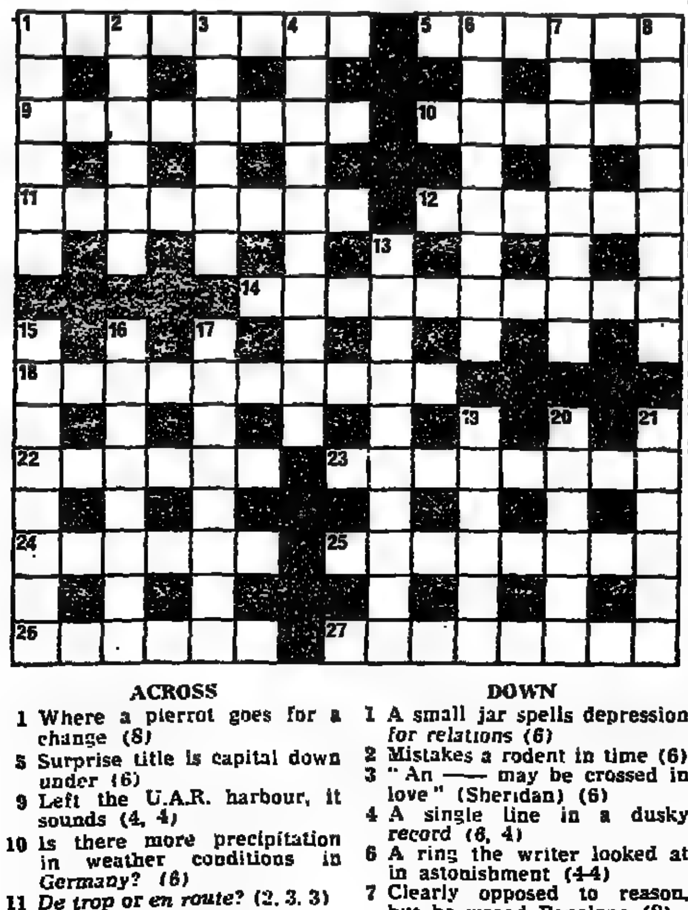
## London Broadcasting 261m and 97.3 VHF

[illegible]

## Capital Radio 194m and 95.8 VHF

[illegible]

## F.T. CROSSWORD PUZZLE No. 3,797



**ACROSS**

1 Where a pierrot goes for a change (8)
5 Surprise title is capital down under (6)
9 Left the U.A.R. harbour, it sounds (4, 4)
10 Is there more precipitation in weather conditions in *Germany?* (6)
11 *De trop* or *en route*? (2, 3, 3)
12 Rank, we hear, for Gilbert the filbert (6)
14 Impromptu — something up one's *sleeve* (3, 3, 4)
18 Final effort from a Highlander (1, 4, 5)
22 Short steps to glib cant (6)
23 The hag Ted embraced jerked (8)
24 It takes a Russian for a ride (6)
25 Old fellows with money are deceivers (8)
26 Mounted corollaries (6)
27 Fools get in to find the murderer (8)

**DOWN**

1 A small jar spells depression *for relations* (6)
2 Mistakes a rodent in time (6)
3 "An —— may be crossed in love" (Sheridan) (6)
4 A single line in a dusky *record* (6, 4)
6 A ring the writer looked at in astonishment (4-4)
7 Clearly opposed to reason, but he wooed Penelope (8)
8 *One way indicated* has government approval (4, 4)
13 One obstruction in the streets offers stubborn resistance (5-5)
15 *Beat the Saint in Wales* (8)
16 The girl friend of Narcissus always had it (4, 4)
17 He makes a dash, but is not geared for it (8)
19 *Workers a Scottish island* supplies (6)
20 Applause acknowledges the drink (6)
21 Inventor upset at the end of *the game* (6)

**The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.**

**Book review**

# Vanishing Hitchcock

by NIGEL ANDREWS

**HITCH** by John Russell Taylor. Faber £6.50, 310 pages

"Two facts are obvious: everybody knows Alfred Hitchcock, and nobody knows him." The first sentence of John Russell Taylor's splendid new biography of Hitchcock reverberates through the book. For decades film-lovers and film students have been wondering if the real Alfred Hitchcock would ever step forward: if, indeed, there *was* a real Alfred Hitchcock behind the carefully groomed persona of the macabre and impish showman. Russell Taylor, formerly film critic and currently art critic of the Times, is wise enough to keep this question always in front of his readers without ever sedating their interest with a single definitive answer.

As one whose childhood was spent soaking up the thrills of the *Alfred Hitchcock Presents* series on TV, I indelibly associate Hitchcock with that bald, bulbous, slightly toothsome profile that wandered into frame, at the beginning of each programme, behind its own drawn silhouette: accompanied always by that trippy-sinister theme composed by Bernard Herrmann (who went on to score *Psycho*).

Hitchcock's delivery of his TV prologues was hilariously slow, courtly and macabre, like an invitation to a beheading. And that poker-faced malevolence has marked all his public appearances, from interviews to lectures to those famous cameo roles in his own films. However *we* want to see H'tchcock, Hitchcock himself clearly wants to be seen as a sort of Olympian conjuror, dealing out suspense, shock and surprises without any show of effort or fear of predictability.

The temptation to trawl Hitchcock's childhood for incidents that contributed to his becoming the c'nema's genius of the mystery thriller must have been great. But Taylor does not dwell over-long on Hitchcock's early years. The son of an East London greengrocer, he was born in Leytonstone in 1899—the same year, incidentally, as Noël Coward and Charles Chaplin—and spent most of his schooling at a strict Jesuit College in Stamford Hill. It was here, crit'cs are fond of opining, that Hitchcock must have learned the rudiments of guilt and fear which he later expressed and "released" in his films.

But conjectures about formative influences in childhood always *are* conjectures, and Taylor sensibly escorts us through Hitchcock's pre-cinematic years without too much circumspection, devoting most of the book to his years in the movies. Fifty-nine years, to be percise, and 53 movies: beginning with *The Pleasure Garden* and ending with *Family Plot*.

There are smatterings of information about Hitchcock's home life, with wife Alma and daughter Pat, and slivers of detail about his life. But mostly Taylor is interested, and so are we, in how the films were made. And, when relevant, why.

In this department, theh book is a quite invaluable companion piece to Truffaut's famous interview. In some respects it is even more instructive: since Taylor does not merely pick select scenes and details from the films themselves, but follows each project through from genesis to completion (and to critical and commercial reception). In the case of *Family Plot*, furthermore, Taylor was present himself during the shooting, with Hitchcock's blessing, and contributes an enthralling first-hand account of the making of a movie.

Throughout the book the same questions keep popping up. Are Hitchcock's films the playthings of a fertile but dilettante mind, or are they cathartic expressions of his own guilts and fears? Is the "real" Hitchcock to be found in his films or behind the barricades of his determinedly private life? John Russell Taylor presents the evidence and suggests some answers. But the book never pretends to omniscience. Its confiding, colloquial style eases the reader into a dialogue about Hitchcock, and the conversation gets more fascinating as the book goes on.

'La Concalescente,' a woodcut by Auguste Lepère, lent by the Victoria and Albert Museum and part of 'The Mechanised Image' exhibition

**'The Mechanised Image,' a major exhibition organised for the Arts Council by Pat Gilmour, that has been touring the country throughout the summer, is now at the Hatton Gallery in Newcastle, where it remains until November 19. It is unashamedly a didactic show, in part historical, but more a survey and explication of the various processes and physical characteristics of the Print, the mechanised image of the title. For the distinctions between engraving, dry point and etching, for example; between aquatint and mezzotint; or silk-screen and photo-lithography, are all too easy for the lay-man to miss, who thus might lose considerably in his understanding and appreciation of these sophisticated crafts. To point them out at all is a most useful service, but this show, which contains many splendid images by great artists, from Durer to Matisse, is much more than that. It is no mere exercise in name-dropping, the balance of the work being concerned with recent practice, many of the artists honourably obscure. It is a show that requires a certain effort by the viewer, but which rewards him significantly.**

**WILLIAM PACKER**

## Guitar concert at the Festival Hall

*Guitarmma—Three Facets of the Guitar* is the title of a concert at the Festival Hall on Saturday, November 18. The three aspects to be featured are: classical, flamenco and jazz and four of the top names in the guitar world are taking part.

Carlos Bonell will play classical guitar while Paco Pena will take care of the Spanish and flamenco parts of the programme.

Ike Isaacs and Denny Wright, two of this country's leading jazz guitarists, will be featured along with two other musicians cornettist Digby Fairweather and bassist Len Skeat, with their group Velvet.

## American musicians at the Portman

American cornettist Wild Bill Davison will be appearing with his All-Stars, comprising British musicians, at the October 22 New Orleans Jazz Brunch at the Portman Hotel, W.1.

The following week American veteran multi-saxist Benny Waters, for many years resident in Europe, will play with the trio of pianist Fred Hunt.



Fred Pearson and Peter Hugo-Daly — Leonard Burt

# Dublin Theatre Festival

by B. A. YOUNG

The new improved three-week Dublin Festival still puts the Abbey at the head of its list of attractions, and in a not very distinguished lot the Abbey's *Uncle Vanya* probably deserves it—though there's some interesting work still to come this week.

The Abbey has invited a Russian director, Vladimir Monakhov from the Mali Theatre, to interpret Chekhov. Monakhov is a devoted Stanislavskian, but Stanislavsky shows more in the sound-track than in the acting, which with one exception is pretty ordinary. The exception of course is Cyril Cusack, whose Vanya, with his cool mockery and his heart-stirring rage, is worth the trip by itself. Clive Geraghty's humourless Astrov is a little drunker than usual, yet remains immaculate in his smart city suit, which he wears from July to September. Perhaps the most remarkable feature of the production is Bronwen Casson's designs. Heavy pillars support the walls of the enormous rooms in the Voinitsky house with its elaborately decorated flower-pattern friezes. Some of the family's domestic chatter has to span distances of 30 feet or so.

Another visiting director has been called in for the RTE Players' production of Feydeau's *Sauce for the Goose* (i.e. *Le Dindon*) at the Gaiety. Jean-Claude Amyl of the Comédie Française. I felt that this was a nice production on paper, but had been defeated by the company, who play as if in a television situation comedy. Lines that hold a wealth of meaning are skated over without subtlety. Moreover the costumes (uncredited) hardly go with the boulevardier world we are supposed to be surveying; the men, with their light summer suits and open-neck shirts, suggest holidaymakers at Bognor in the 1920s rather than smart young Parisians. Victor the page must be at least 30, a ripe age for puberty. Still, it is a splendid farce, and there are scenes in it that cannot fail, such as the invasion of the hotel bedroom by every guest in the hotel when Pinchard and his stone-deaf wife set off the trick electric bells under their mattress. A good market too for Laurence Foster for his scene in Act 3 where he tries to make love when he would rather sleep.

More situation comedy at the Eblana under the bus-station—Joe O'Donnell's *The Bonfire*. I made a bee-line for this when I saw that it was to be directed by Robert Gillespie, but Mr. Gillespie has had less than his usual luck this year. Four Dublin married couples are involved, and there seems to be some notion that their behaviour is being observed satirically. They are a whizz-kid executive and his unsophisticated wife from Limerick; a decent man living on his decent wife while working on his culture; a rowdy, amoral monster with his latest pick-up, a lady barber with a ready line in classical quotation; and the tough housewife next door with her permanently drunk husband.

Nothing new seems to be said about these people, though there is a hint of feminism about. The comic exchanges of the first act lead to some savage behaviour in the second in which the lad'es seem always to be the physical or the moral winners; but the play made me think of the comedies we get from Australia from time to time, parties where everyone gets drunk, gets laid, or gets beaten up. Some nice playing in this piece, though.

Way out in suburban Sandymount, the Oscar Theatre houses a genuine curiosity, *In Sand*, by Jack B. Yeats. Jack Yeats was less earnest that John his father, or W.B., his brother (he used to contribute pawky drawings to Punch under the name W. Bird), and his play *is* sometimes positively frivolous.

Its sheer eccentricity compels attent'on. An elderly bachelor believes that he will be adequately remembered after death if, instead of a Mass or a memorial, a little girl goes to the shore and writes, where it will be washed away by the next tide, the words: "Tony, we have the good thought for you still." The girl grows up and marries a rich man; he loses his fortune and d'es, leaving her penniless on a tropical island. An old sailor in a speech lasting a whole act retails her history. Then, when everyone we have met so far is dead, the island is visited by a dotty politician who involves the Governor in plans for UDI.

Each line leads to a conclusion in which Tony's epitaph is brought up to suggest that it is a lasting power for love and understanding, that Tony's name was not writ in sand after all. If the play were a better-constructed play, this would be more convincing, but it is an indulgent sequence of Yeats' happy philosophising and little more. There is some pleasant writing, though, especially in the naive political satire of the third act; and the World Theatre Company (who gave us *Spokesong*) act attractively under the direction of Beryl Fagan.

There is a fringe of a Fringe at the Dublin Festival now. I could not sample much of it, but I am glad to record my visit to the Threadbare Theatre Company at Trinity College, where they gave decent performances of a piece by Maupassant (*The Revenge*) and Shaw's *How He Lied to Her Husband*, which can't be taken down from the shelf very often and ought to be. Everyone was delighted by the Natural Theatre Company from Bath, processing through the city with their yellow suitcases, in and out of forbidden territory; or staging a triple wedding outside the holy Post Office in O'Connell Street in the middle of the evening rush-hour.

**Wigmore Hall**

# Livia Rev

by DAVID MURRAY

Miss Rev is a Debussy specialist of parts, the right pianist to introduce the early Debussy sketches that we heard on Saturday night. Not really very early: the three so-called *Images* (nothing to do with the two famous sets of 1905 and 1907) were drafted when the composer was 32—but his mature piano style postdates "Afternoon of a Faun" and even *Pelléas*. These *Images* illustrate a transition-period which the published work does not represent (unless, as many suspect, "Masques" and "L'Isle Joyeuse" were drafted long before their 1904 publication.)

Miss Rev played them carefully, from the music. The first piece plainly belongs to the world of the youthful piano-and-orchestra *Fantaisie*, winsomely pensive in F-sharp. The special interest of the second and third is just what will prevent them from entering the repertoire: the "Sarabande" is a less harmonically assured version of the Sarabane of *Pour le piano*, and the third — embellished with whimsical Satie-esque comments like its title, "Quelques aspects de 'Nous n'irons pous au bois' parce qu'il fait un temps insupportable"—tries out elements of what was to be "Gardens in the Rain" in *Estampes*. They cannot now be independently viable, but they were fascinating to hear.

We had another early page, too, and the minuscule "Elégie" of 1915. The complete Book Two of the *Preludes* was Miss Rev's principal offering. Comfortable playing, immensely perceptive and excellently faithful to the texts (which are much more precisely specified than lazy pianists notice), always liquid: one guessed in advance that "Fireworks" would become a water-piece, and it did. Echoes of the clavecinists whom Debussy had been studying were suppressed, or at any rate liquefied (as in "Tierces alternées"). The multi-textured preludes — "Ondine," "Les fées: . . ."—revealed deep perspectives. Miss Rev had begun with Mozart's Sonata in D, K 576, shapely but too aqueous in sound for my taste (it is virtually a harpsichord work, after all), and she concluded with Chopin's First and Fourth Ballades, lyrically free and sonorous despite a rash of finger-slips.

## George Orwell Prize

Penguin Books are awarding this year's George Orwell Memorial Prize to Paul Bailey for his article "The Limitations of Despair" first published in The Listener.

The prize was instituted in 1975 to mark Penguin's 40th anniversary and the prize is worth £750. The award is given annually for an article, essay or a series of articles commenting on current cultural, social or political issues anywhere in the world, and the work must have been published in the UK either in a newspaper, periodical or pamphlet in the preceding year.

## Royal Ballet revivals

During December and January, the Royal Ballet at the Royal Opera House presents revivals of Frederick Ashton's *Scènes de ballet* (with Jennifer Penney and Michael Coleman), and Kenneth MacMillan's *The Rite of Spring* (with Monica Mason as The Chosen Maiden) in a triple bill with *The Firebird* on Friday, January 19.

Following the revival of Frederick Ashton's *Birthday Offering* on November 23, there will be further performances of this ballet in a triple bill with *Les Sylphides* and *Jazz Calendar* on December 2 (matinee), December 4, 12, and 19.

**Riverside Studios**

# The Ragged Trousered Philanthropists

by MICHAEL COVENEY

Stephen Lowe made a more than promising big-stage debut last year at the Nottingham Playhouse with *Touched*, a sensitive, poetic piece set in the Nottingham back streets at the end of the last war. Now, in collaboraion with the Joint Stock company and the brilliantly alchemic talents of director William Gaskill, he has scripted a version of Robert Tressell's Socialist classic that is a model of adaptation, dramatic emphasis and sheer theatrical magic.

It is a special pleasure to review a production that is so obviously "played in." For a start, the company of Mugsborough (Hastings) painters and decorators actually paint and decorate with considerable aplomb, forcing the pace of their work whenever the lugubrious Hunter, the boss's agent, pokes his nose round a door or trestle. Not since the heyday of David Storey has the voluptuous quality of work been so splendidly celebrated on our stage; the action is frequently splintered between a wall being painted behind you, a lintel stripped in front, or Owen (Fred Pearson) applying his gold leaf on the ceiling above. The opening seven minutes, with workmen arriving to set up shop and receive grunted instructions from the foreman Crass or the old faithful Philpott, are a seductive delight. Young Bert (Harriet Walter) dashes to and fro with buckets and planks while the play swings slowly, but surely, into low gear.

Scamping the work is not the painters' idea, but the result of Sweater and Hunters cutting corners wherever possible. And out of this springs the men's contempt for their employers. "Plenty of work here if it'd been done proper" remarks one of the men disconsolately as they leave the house. But on the job, they emerge in Mr. Lowe's spare and vibrant comic prose as a highly individualised company, hooting down the attempts of Owen to "politicise" them but touchingly impressed by his sleight-of-hand performance while demonstrating the Great Money Trick, one of the book's main set pieces. They realise that they only earn a pittance in order to pay it back for life's essentials.

We have no scenes in the Cricketers' Arms, nor any of the domestic detail with Owen's young Frankie or the devious Slyme. Instead the action is centred on the house itself and, in the play's middle scenes, on a luxuriantly high-spirited account of the annual Beano. It is here that Harlow (Mark Wing-Davey), finding his feet and his voice, responds to the glib placatory nonsense of Sweater with a most moving assertion of how masters and men can never be reconciled. Mr. Wing-Davey's anger flows on into his participation of a chorus of "Put Me Among the Girls" and, even though there ensues a plethora of well-orchestrated evidence of the men's ability to enjoy themselves, their inherent dignity is never sacrificed—Miss Walter leads a beautifully arranged flower girl song and (she is at this point playing a servant at the feast) is rewarded with a straw-hat collection.

The agility of the company is a constant source of wonder. All except two of them don Hunter's grim exterior and each finds somthing different in the character. Although Andy Phillips's lighting serves the production perfectly, it is the acting that focuses so gracefully on moments such as Easton's (Bruce Alexander) sad settlement for a cut-rate wage; on Ian Ireland hurriedly extinguishing pipe and a minute's relaxation as Hunter approaches; on Peter-Hugo Daly cringing against a doorpost, having dropped a brick about wage differences.

Glorious free reien is given not only to the songs of working people—on Friday night I sat behind a dewy-eyed Jack Jones humming along—but also to the staging of the ride home from the Beano, where two separately lit platforms representing the rival wagonettes seem to hurtle along at breakneck speed.

As in the same company's Fanshen, there is nothing po-faced or righteous about the presentation of Socialist discussion and the overall result is an evening as wonderful, upli'ting and well-performed as anything I have enjoyed this year.

**Sadler's Wells**

# The Rake's Progress

by CLEMENT CRISP

Friday the thirteenth took what Sadler's Wells Royal Ballet probably thought was its expected toll: injury, bereavement, a work cancelled, and programme sheets rich in misinformation. But the evening was a success, bringing another chance to see Michael Corder's opus 1, *Rhyme nor Reason*, as a substitute for *Pavane*, and an alert performance of *The Rake's Progress*.

Earlier in the season Ninette de Valois' scenes from Hogarthian London had looked underpowered, filleted and polite instead of vigorous. With David Morse as the Rake, the piece was pulled into focus. Morse is a dancer of bright, easy style, thanks to his quick, elastic musculature, and no less easy dramatic skill. He is the member of the Wells troupe most naturally suited to the Rake, and be-wigged in the opening scene he is more than passably like the Auguste Vestris we see in early portraits.

He restores to the role that quality of innocent larkiness so needed in the first scenes to set off the young man's later descent into Bedlam, and he has Helpmann's ability to remain the comic centre of the brothel's humours, with an enthusiasm to his playing that shows us the Rake truly hell-bent on enjoying himself. By the time he reaches the gaming den, he is a man fleeing his fate: in the madhouse, frenzy contrasts with an immobility to which Morse gives a tragic dignity. It is, in sum, a performance rich in nuance and understanding, and exact in realising the ballet's atmosphere.

Excellent support came from the other members of the cast: Marion Tait's unsentimental Betrayed Girl, Kim Reeder's spry and clear-cut Dancing Master, David Bintley's menacing Gentleman with a Rope, are all fine. I admired, too, the make-up of the subsidiary players: Dennis Bonner and Douglas Vardon as Tailor and Fencing Master present characters having strong visual identities.

The programme, which also contained *Brouillards* and *6.6.78*, brought the bonus of Corder's *Rhyme nor Reason*. A second look at this happy piece confirms for me the first impression of a young choreographer responding with an enforced pleasure to his score: The images and muscular rhythms Corder draws from the music look entirely apposite, and are sometimes so felicitous that they seem part of the orchestral texture.

In Deirdre Eyden, just two years out of the Royal Ballet School, we have a young artist of lovely promise: Corder shows her as possessed of a sweetness and a kind of decorous technical strength that are irresistibly charming. Her dancing delights because it appears so entirely without affectation, a spontaneous expression of temperament.

FINANCIAL TIMES
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Monday October 16 1978

# Competition is the key

THE CONSERVATIVE Party has now established the broad outlines of the economic policy that it proposes to pursue should it come to office in the not-too-distant future. Whatever the diversions caused by Mr. Heath at the party conference in Brighton last week, there are certain principles on which the Shadow Cabinet as a whole appears to agree. These are worth spelling out again, at least as a starting point for further discussion.

### Monopolies

As Sir Keith Joseph told the Brighton assembly the Tory Party recognises the limits of government power. Government can at best create the conditions for prosperity: it cannot by itself ensure that prosperity will occur. At the same time, the party does not believe that controls on pay, prices or dividends are ultimately beneficial to the people of this country. Under a Tory government such controls would be dismantled and the emphasis would be placed instead on what Sir Keith summed up as "competition plus sensible policies on money and on government spending and borrowing, and on taxes, sensible policies on cash limits and on target rates of return from the nationalised industries, plus a great deal of explanation to the effect that people can price themselves out of jobs if they are unrealistic."

There may be room for debate even within the Tory leadership about how rapidly existing controls can be abolished, about what precisely constitutes sensible monetary targets or cash limits, and about how far taxes can be cut. But the general outline of Tory policy is clear enough: the party believes in monetary restraint plus individual incentives.

What that means in effect is that the argument about incomes policy in the Tory Party is now dead. There will be no point in talking about percentage limits or norms for pay settlements, for it will be up to the government to control the money supply, to explain what it is doing and why to the public, and to allow free collective bargaining to take place within that context. The emphasis on explanation, however, is crucial and it is here that Conservative spokesmen still have a great deal of work to do.

Sir Keith's reference to competition, for example, though welcome in itself, is relatively new and it is not immediately clear what he means by it. One assumes that he is again drawing on the German theory of the social market economy from which so much of his thinking seems to stem and which, at its purest, prohibits market domination by any one particular company. But is that what he is now proposing? Would a Tory Government, for instance, seek to break up companies which have near monopoly in the British market and, because of the nature of the product, are not easily subject to competition from imports? Again, would the Tories seek to exercise a stricter control over mergers in general and, if so, what would be the criteria? The answers to these questions have not been given. Yet if greater competition is to be one of the bulwarks of the return to free enterprise, it is important that the Tories should be more precise.

### Exchange rate

There is one other aspect of economic policy, which also concerns competition and on which the Tories last week were conspicuously silent, and that is the exchange rate. There is still a prevalent belief in this country that industry can be protected against the consequences of any given rate of inflation by allowing sterling to fall. Such a policy, however, is at best a palliative and at worst encourages inefficiency. It would have taken only a sentence or two in Mrs. Thatcher's closing speech to the conference on Friday to show that this lesson has been learned, but they did not come.

What is needed now is a clear statement that a Tory government will not allow the exchange rate to fall merely to protect the inefficient. Until that is made, the suspicion must remain that the idea of the soft option has not been entirely abandoned. The Tories have outlined a bold policy for the economy in so far as it goes, but they could yet be bolder still.

# Outlook for the trade talks

IN THE LAST-MINUTE rush of activity which traditionally accompanies the adjournment of Congress, the Carter Administration has been battling hard on two issues which are threatening to impede the multilateral trade negotiations, due to reach a conclusion by the middle of next month. The White House has been trying to persuade Congress to extend beyond January the Administration's right to waive countervailing duties against subsidised imports. If this waiver is not extended, duties will be automatically imposed on a range of EEC exports; some retaliation from Europe is possible. While this dispute need not destroy the Geneva negotiations, a failure to resolve it will certainly sour the atmosphere.

### Irritant

Another amendment would prevent the U.S. from making any reductions in textile or clothing tariffs. If this amendment stands, as seems likely, it will be a considerable irritant to America's trading partners, not least the UK, which has been looking for concessions on wool textiles. It is, of course, not surprising that, with the trade talks in Geneva at a decisive stage, the protectionist lobby in Congress should renew their efforts to frustrate an agreement. Any successes will weaken the credibility of the U.S. negotiators and make the other countries less willing to offer concessions.

On the trade negotiations themselves there are four main issues to be resolved. One is the amount of tariff reductions: more haggling will certainly be needed on this, but it is unlikely to be a sticking point. The second is agriculture. The U.S. remains determined to obtain better access for its farm products to the EEC market and it is hard to see how agreement can be reached without some change in the Community's position. The third is the question of safeguards against disruptive import competition. The U.S. and Japan seem reluctantly to have accepted the EEC's insistence on the right to take selective action against individual countries, but there is still a good deal of argument about defining the conditions in which the right may be exercised.

The fourth and perhaps most awkward of the unresolved issues concerns industrial subsidies. European Governments have been forced to acknowledge that their habit of supporting particular companies or sectors with public funds can have a distorting effect on world trade. They are willing, in principle, to abide by a code of conduct which would regulate the application of subsidies. But how restrictive the code should be, and whether it should have the teeth which the Americans would like to see in it, is not yet settled.

It is of the utmost importance that a compromise on these four matters is achieved over the next few weeks. A satisfactory conclusion to the trade negotiations will be a clear expression of the developed countries' determination to maintain the present trading system and to keep protectionist forces at bay.

### Third world

How the developing countries will react to the package is another matter. They have already complained at the extent to which their trading interests appear to have been neglected during the negotiations. They are bound to see the introduction of the selective safeguard arrangements as likely to be directed against them. There is anxiety that the industrial countries seem determined to strengthen their defences against exports from the developing world, an attitude which was apparent in the recent re-negotiation of the Multi Fibre Arrangement. It is true that some concessions for the developing countries, on tariffs and on other matters, have already been secured, but there is little evidence that the industrial countries have fully come to terms with the new competition from third world exporters of manufactured goods.

# A much battered triumph for Carter's Energy Bill

BY JUREK MARTIN, U.S. Editor

**THE MAIN COMPONENTS**

**NATURAL GAS:** Federal controls on the price of newly discovered gas will be lifted in 1985. Meanwhile, Federal controls will be extended to currently unregulated intra-state gas (produced and consumed in the state of origin), and an immediate increase in price of new gas from present $1.50 per thousand cubic feet to just under $2 per thousand cubic feet. Prices may be raised by inflation rate, plus about 4 per cent per annum up to 1985. Industry, not consumers, to bear brunt of increases.

**COAL CONVERSION:** Stipulates that industries and utilities should convert from oil and gas, but the Bill contains a long list of exemptions and provisions for "hardship cases."

**UTILITY RATE REFORM:** State Utility regulatory agencies required to consider schemes promoting energy savings — such as ending discounts for big volume users. Provisions for sharing of power in emergencies.

**ENERGY TAXES:** Mild tax on fuel-inefficient cars that do not meet Federal mileage standards, starting with $200 tax on cars getting less than 15 mpg in the 1980 model year, and rising to a minimum of $400 on cars getting less than 25 mpg by 1985. A 15 per cent income tax credit for home insulation improvements, plus maximum $2,200 tax credit for installing solar heat.

**GENERAL CONSERVATION:** New energy efficient standards for domestic appliances. Federal grants of nearly $1bn for improved insulation. Loans and loan guarantees also available. Doubles existing penalties on car companies whose fleets fail to meet existing mileage standards.

WHAT was conceived in April last year as "the moral equivalent of war" was finally borne at dawn yesterday in a political hothouse. The child, which is called the U.S. Energy Programme, is much less lusty than its father, President Carter, had planned. Protracted gestation has wrought genetic changes that make the offspring merely a distant cousin of the original design. But for a nation which for years has been reared on the milk of energy independence and encouraged to consume that nourishment with absolute profligacy, it is something of a minor miracle that anything emerged at all.

Certainly there can rarely have been a delivery room as chaotic as the U.S. Congress in the last week, and particularly in the past 48 hours. The profusion of issues awaiting resolution and the bewildering array of parliamentary tactics and procedures employed, including the inevitable filibuster, were such as to make many congressmen probably unaware of exactly what they were voting on at any given moment. Interwoven between the twin goliaths of the Energy and Tax Bills were such disparate matters as Federally funded abortions, the Endangered Species Act, sugar prices, beef imports, the authority of the President to waive imposition of countervailing duties on imports, U.S. contributions to its 1980 Olympic Games effort, financial support for the UN and its agencies and much more besides. It is no small wonder that in the small hours of this morning, two congressmen, seeking either solace or sanity, got out their saxophone and banjo and serenaded their colleagues with soothing refrains.

But it is the Energy Bill that the rest of the world has been awaiting with bated breath and which President Carter has repeatedly argued had to be enacted if U.S. international prestige and the value of the dollar are to be maintained. Mr. Carter now has a programme, though its goals are much more modest than he had set. Even on the most optimistic projections, it will cut imports by no more than 2.5m barrels of oil per day by 1985, compared with his original target of 4.5m. It contains no provisions for increasing the domestic price of oil, a centrepiece of his original proposals. Its thrust now is on natural gas production, not increased coal output, and it seeks to achieve this by ultimately de-regulating natural gas pricing, precisely the opposite of the original plan. The punitive clauses against "gas guzzling" cars and against the refusal of industry to convert from oil to coal, have both been substantially watered down. Even proposals to change the rates which utilities charge their customers in order to promote greater conservation of energy have been largely gutted.

It is hardly surprising therefore that in welcoming the passage of the Energy Bill this morning, Mr. Carter warned that it would produce no "overnight miracles." But it did demonstrate, he added, that "we have declared to ourselves and to the world our intent to control our use of energy and thereby to control our own destiny as a nation." The President did not say so, but it is entirely possible that he will find it necessary to take further action, off his own executive bat, to strengthen this demonstration of national will by moving directly to rectify the glaring omission in the Bill—its neglect of the issue of domestic oil pricing—either by raising domestic prices or by curbing the level of imports.

With the benefit of hindsight, it can be said that Mr. Carter has pulled off a substantial victory in getting any form of Energy Bill enacted. In the heady days of April last year, when he was riding the crest of post-election popularity, it did not seem unreasonable that Mr. Carter could pull off all sorts of miracles, even revolutionary ones such as a new energy programme. But political reality always dictated a harder struggle, as the last 18 months have proved. His proposals cut to the heart of the American psyche. They created unholy alliances between producer and consumer interests, both of which have plenty of advocates in Congress and in the nation at large. And, above all, they threw down a direct challenge to the authority of Congress at a time when, after the traumas of Watergate and Vietnam, the legislative branch of government was seeking to regain its last role as constitutional co-equal.

But it is also fair to say that as well as being victimised by circumstances Mr. Carter and his Administration were guilty of both public relations and tactical mistakes. Deceived by the early passage in the House of Representatives of much of the original package, and comforted by the "leave it to me" advice of Mr. "Tip" O'Neill, the speaker of the House, the President failed, at critical times in the early going, to sell his proposals to Congress and the nation with the vigour he might have employed. When he sought to apply pressure later, he found himself politically enfeebled by the Bert Lance affair, by his declining popularity as measured by the public opinion polls, and by the transparent belief also shown in the polls, that Americans really did not think there was such a thing as an energy crisis.

**US OIL IN 1977**
(000 barrels daily)

| | |
|---|---|
| Consumption | 17,945 |
| Production | |
| Crude oil | 8,215 |
| Natural gas liquids | 1,615 |
| Imports | |
| Crude oil | 6,565 |
| Products | 2,145 |

Source: BP

The April 1977, proposals were essentially in five parts.

- The Crude Oil Equalisation Tax designed to bring domestic prices up to world levels.
- Permitting increases in natural gas prices, but retaining controls over pricing.
- A standby tax on petrol, plus levies on petrol-hungry cars.
- Coal conversion policies, designed to double U.S. coal production by 1985 through a variety of measures.
- Utility rate reform, and miscellaneous conservation measures, including tax credits for home insulation.

By August last year, the House of Representatives, at Mr. O'Neill's urging, had passed most of this package with the exception of the petrol tax, which it rejected outright, and the proposal that buyers of economy cars receive rebates from the proceeds of the levy of high petrol consumption cars.

The Senate was always a different kettle of fish. Senator Russell Long from Lousiana, a leading oil and gas state, and chairman of the all powerful Finance Committee, would have little truck with the Crude Oil Equalisation Tax, particularly its provisions requiring that consumers get a rebate from the proceeds.

There was a deep ideological split over continued regulation of natural gas prices, dear to the heart of liberals and consumerists but anathema to those who believed that the industry needed more incentives to seek new supplies.

By the autumn of last year, the Senate had approved only non-controversial items such as tax credits for home insulation and users of solar power; with particular contrariness, the Senate even voted to ban the production of petrol-hungry cars, but it came out against continuing natural gas regulation, rejected the utility rate reform proposals, while the Crude Oil Equalisation Tax never even got out of Senator Long's Committee.

Conference committees dealing with the tax and non-tax elements of the Bills subsequently reached assorted compromises on the less sensitive issues, but showed no signs of arriving at any form of consensus on the natural gas issue, let alone on the oil tax proposals.

For much of the year the natural gas conferees did not even bother to meet, so fundamental were their differences of opinion. But by early summer a compromise providing for the end of Federal controls on new natural gas by 1985 was laboriously hammered out. The Senate spent much of September debating the issue but intense lobbying by the Administration, whose standing had been much improved by the President's success at Camp David, carried the day. The fact that the President was being obliged to accept what he had originally opposed was almost neither here nor there: everybody agreed that the Bill was imperfect (some called it an abortion) but perfection had become a long lost goal in the search for compromise.

Even at this late stage, the Bill was far from out of the woods: simultaneously Congress was tying itself in knots over the Tax Bill and it was clear that there existed any number of trade-offs between the two pieces of legislation. The House of Representatives, whose earlier strong support for the President's package had been severely eroded in the months of subsequent bickering, came within one vote earlier last Friday of adopting a procedure which probably would have yet further weakened the package. But the Bill survived this and other onslaughts, including a filibuster by the retiring Senator James Abourezk of South Dakota which lasted most of Saturday, to be passed by both Houses at breakfast time yesterday.

In suggesting that the Bill represents just the start of a long road, President Carter was probably drawing the safest lesson of the last 18 months. There are so many different opinions extant about the likely impact of the programme that it is hard to find even a median line. Oil imports still account for about 40 per cent of domestic consumption and are consequently a major factor in the magnitude of the U.S. trade deficit (though now a less significant item than manufactured imports).

The Administration's calculations on U.S. natural gas production—and the consequent savings on imported oil—have, for example, been considerably revised since last April. Then the assumption was that natural gas output had peaked, would never recover earlier levels and that the salvation lay in the most abundant U.S. energy reserve, coal.

In 1976, U.S. producers discovered a mere 7.4 trillion cubic feet of new natural gas—not much more than a third of U.S. annual consumption. But last year new reserves jumped to 11.9 trillion cubic feet, confounding the Administration but prompting it to estimate that an additional 2m trillion cubic feet could be found by 1985, thus providing the energy equivalent of 1.4m barrels of oil per day that need to be imported. These figures, though they lie in the middle range of widely differing public and private projections, are nonetheless viewed with some scepticism.

This year, the U.S. has experienced both a gas and oil glut. The latter has been partly brought about by distributional problems, with West Coast refiners unable to handle the volume of new Alaskan oil now being delivered from the north slope fields. Yet the value of oil imports fell only marginally for much of the year from the $45bn level of 1977 with the latest statistics showing a new upturn. Even though, on average, U.S. energy consumption has grown less rapidly than the advance of GNP since the 1974-75 recession, the economy has retained an underlying vigour that makes longer term projections framed with difficulty.

The admitted uncertainty over the impact of the programme may well be reflected in the foreign exchange markets which, in assessing the value of the dollar, may well already have discounted the practical consequences of the legislation. The onus may, therefore, still be on President Carter to do more about controlling oil imports. Earlier this summer, on the eve of the Bonn economic Summit, and when his political fortunes were at their nadir, the Senate directly challenged his authority to impose import quotas on foreign oil.

Should Mr. Carter move in this direction—as he well might—then a confrontation with Congress is bound to ensue. But one major lesson of the last couple of months is that Jimmy Carter has become much more effective in getting his way with a stubborn legislature. There is no doubt that obtaining even an emaciated energy programme will be generally interpreted as yet another demonstration of presidential leadership. Both the country and the world are now waiting to see if he can make a tougher anti-inflation policy stick, a task that will certainly be no easier than that just accomplished.

# MEN AND MATTERS

## Speaking out for the audience

After-dinner speaking, that bane of some of our readers' lives, is becoming big business, with celebrities not noted for eloquence commanding up to £1,000 a time. "I have seen complete disasters," says Ivor Spencer, president of the Guild of Professional Toastmasters. Spencer can identify such things. Of the 25,000 speeches he has listened to, 23,000, he says, were boring.

In a move calculated to make his own life more interesting, he is forming a Guild of Professional After-Dinner Speakers to ensure no one joins the golden circuit without having a reasonably smooth tongue.

Who, I asked, was to judge the degree of smoothness? "I'm booking a room at the Connaught in about a fortnight," says Spencer. "People who want to join will have to speak for three or four minutes in front of a panel of first-rate speakers, and me."

Speechifying, amateur and professional, is getting quite out of hand, says Spencer. "When I started 23 years ago there were eight courses and two speeches. Now that people are dieting there are three courses and any number of speeches. I have to listen to six or eight a day."

To add to this melée of voices, Spencer is about to go on a lecture tour of his own. He says modestly that he has picked up information on all sorts of subjects from all the speeches he has had to listen to. I asked him how speakers could tell when things were going awry. "It's obvious," he says. "Glazed eyes, murmuring, people walking out." His remedy is to speak for a maximum of 12 minutes, and to research the subject matter properly.

If this last condition presents difficulties, it just happens that Spencer runs a small after-dinner speech ghost-writing service, claimed to be the only one in the country. His assistant, Eileen Seymour, tells me she knocks out speeches for an average of £50 a time: "I have even done a couple of sermons," she says.

## Mousephone

White-hot technological news: I can reveal that the British Mickey Mouse telephone is upon us. The Post Office has placed a £890,000 order with Plessey and with Data Systems of Nottingham, and soon, they will not say quite how soon, the MM telephone will be available, at first in London only, costing a mere £3 extra a quarter, plus £45 installation. Mickey holds the handset in his right hand.

"There's tremendous demand from our customers," enthused a PO spokesman, who reminded me that we were lagging behind in the great telephone race. The Americans already have Snoopy and Goofy receivers, and long ago became accustomed to murmuring sweet nothings, or barking orders, into the ears of cartoon telephones.

What else was in the offing for the run-up to the millenium? I asked. The Compact—"space-saving is achieved by having the bell in a separate unit"—seemed a trifle lame. Anything else? Well, said the PO sheepishly, they were working on "an old-fashioned candle-stick version."

## Euro-breakfast

I was up early yesterday for a cerebral jog round the acronyms with Sir Henry Plumb, president of the National Farmers' Union. "We know that NAAFI would prefer to buy British as it did before we entered the EEC," puffed Plumb from a news release. "But both NAAFI and MoD feel that the taxpayers' money . . ." The MCA calculation, he was saying tetchily when I caught up, that was what needed changing: "I can't think of anything more ridiculous."

It was the sudden vision of the dark-red wine lake, and, reflected in it, the shimmering peak of the butter mountain decorated with sparkling ECUs, like so many fairy lights, that distracted me. When I looked round Plumb had disappeared. Why was Plumb so glum? In plain terms it was because our troops in Germany are being fed Irish rather than British bacon for breakfast. Thanks to EEC export subsidies this is cheaper for the Government.

All very distressing for British pig farmers, of course, but a controlled diet of such Irish Euro-problematics should, if he can avoid apoplexy, help the 53-year-old Plumb to limber up for his next move. A past president of the Comité des Organisations Professionels Agricoles de la CEE (COPA), he has for some time been angling for one of the new Euro-constituencies, from which vantage point he hopes to make the CAP fit, or at least feel more comfortable.

## Castles in the air

The mirages of Marcel Dassault, 86-year-old head of France's biggest aerospace group, are not all aircraft. Dassault also has visions. Earlier this year he was harping on the virtues of French housewives putting flowers on the table for their husbands when they come home from work. Now he is conjuring up a 20th-century renaissance. This is to begin in the homes of the monsieur on the metro and will lead to the emergence of a new belle époque—that of Fifth Republic Style. If this has still to be invented Dassault already believes in it sufficiently to spend a total of £15,000 on full-page advertisements in the French press.

Fifth Republic Style hardly sounds like a rallying cry, in French or English. But Dassault's vision is of craftsmen flocking. Architects, glass-blowers, carpet manufacturers would join the throng. Perhaps there will even be a new Giscardian wallpaper, to be reverenced as deeply as the chairs of Louis XIV. "The novelty will incite buyers to change the decorations and furnishings of their currently out-moded flats," says Dassault.

The arms lord has a habit of bouncing back onto the political scene in unexpected ways. Not so long ago he was making Betjeman-like cries for the preservation of old churches—only to draw the tart comment in some newspapers that it was his own jets racing overhead which had cracked churches' vaultings. Now he looks forward to a major exhibition of decorative arts. Ten million foreign visitors will come, exports will boom and "the youth of France will have lost its morseness and find its smile again." Roll on tomorrow.

## Cross words

Without the avid but unlucky F.T. crossword puzzle competitor Jessie Nixon, today's column would lack reference to a new postal mystery. Readers may remember the case of the letters for Surrey being sent to Essex to be sorted. That had a kind of explanation. This has none. Posted in Newcastle, Jessie Nixon's crossword entry, addressed complete with postal code to the F.T. in London, wound up at 2 pm next day among larger stakes at Littlewoods Pools in Liverpool. I know this because Littlewoods thoughtfully drilled the envelope full of holes in an elaborate coded pattern stamped it Misdelivered and sent it on its way. Was this riddling and stamping accorded to all incoming mail, I enquired. "We're not saying," said a spokesman.

**Observer**

# FINANCIAL TIMES SURVEY

Monday October 16 1978

# West Germany

Events this year suggest that West Germany's political stature in world affairs may be growing to match its economic strength. What has yet to be defined is how the Germans themselves see their role among the family of nations developing.

## Towards a wider world role

By Jonathan Carr
Bonn Correspondent

AT TIMES this year it would have been easy to mistake West Germany for a world power. In May the Soviet President, Mr. Leonid Brezhnev, came to speak not only of economic co-operation spanning decades but also of East-West arms control. In July President Carter made a personally triumphant visit to West Germany and West Berlin, culminating in the seven-nation western economic summit conference in Bonn. Earlier the same month in Bremen, the European Community countries took a big step forward (some of them uneasily) towards creation of a new European monetary system.

Those were some of the highlights. Interspersing them were visits by many other foreign leaders—sometimes from opposing sides in this or that regional conflict, but almost all hoping for a special hearing and particular support.

Clearly it is time to bury that old description of West Germany as an economic giant but a political dwarf. It was inevitable that the country would one day find a voice appropriate to the strength of its economic performance, of its defence contribution to the West and of its world interests, born chiefly of a dependence on foreign trade. But it was not certain that the voice, when it came, would be used in large measure with moderation to secure compromise. How much evidence could have been assembled from German history to suggest that this would be so? How many who saw the country in the early post-war years truly expected what has now emerged, a democratic Germany playing a world role without seeking to become a world power?

It can be argued that the will to compromise results simply from the cool recognition of the limited room for manoeuvre of the modern nation State. There is a lot in that view—but this recognition was not bound to become self-evident in West Germany. Nor are Germany's limitations always wholly apparent to its foreign partners.

When, for example, the U.S. urged West Germany to take up the role of a "locomotive" of the world economy, the main reaction in Bonn was one of concern that anyone could so overestimate its possibilities. But it did not rule out a co-responsibility in complementary, international efforts to heave the western world further out of recession. And that is what emerged at the July economic summit.

In Europe the overestimation often takes a different form. The West German armed forces are embedded in NATO's military structure (in a way which those of France, for example, are not). Yet that alone does not remove latent fears in partner countries, which, given the appropriate domestic political stimulus, emerge with often startling force. Even the rise of a German-led steel grouping during the current recession was labelled by a leading French newspaper "a veritable war machine."

Again, proposals on currency stability in Europe are described by some in England simply as a move to create a "Deutschemark zone"—a trick by which West German goods will be allowed to flood the British market. (Holland, already part of a currency stability zone with West Germany and running a trade surplus with it, apparently has no such fears.) The reaction is not new. Even in the early 1960s an English writer pointedly remarked, "As long as the Germans were starving and poverty stricken they were assured of a certain amount of sympathy . . . a lot of this was dissipated when they ventured to become rich and prosperous and to pile up a larger gold reserve than ours."

### Memories

Thus history imposes an additional constraint on West Germany—and one of which its present leadership is well aware. As Chancellor Helmut Schmidt noted recently, the Nazi era not only remains strong in the memories of those, at home and abroad, who lived through it. It continues to affect the attitudes even of those born after it.

Externally, this means that West Germany must tread warily, seeking to present any major new initiative with at least one other partner, preferably with several. Domestically, it means the country must face special pressures from outside which other nations need not fear. Almost any manifestation of German extreme Right-wing activity, however small, is likely to be taken up and emphasised abroad. And this remains so despite the failure in recent years of the far Right (or, for that matter, the far Left) to gain a single seat in any federal or State parliament. And that is the development at a time of recession when, in theory, extremists would stand to gain.

Not surprisingly foreign criticism excites a defensive reaction. Take the parliamentary measure over the last year or so to combat terrorism. These included widened powers of police search and detention and authority, in special circumstances, to ban prisoners suspected of terrorism from all contact with the outside world. One Parliamentarian noted privately that several other Western democracies had similar regulations—even without experiencing the like of the terrorist attacks in West Germany last year. "But of course," he added bitterly, "no one abroad will bother to mention that." The observation was not wholly accurate—but it is nonetheless true that the Germans are often given a "special handling" by foreign commentators not to their advantage.

### Flaw

That said, there is a sense in which the Germans make life hard for themselves. In general, they have a particularly high regard for the value of regulations which have been committed to print, and display a perfectionist zeal in carrying them out to the letter. At the height of the terrorist threat last year, there was a danger that Parliament might have seen the answer in a flood of new laws covering every conceivable menace—but whose practical application would have brought a restriction of basic freedoms. That did not happen. In retrospect the measures taken were, in sum, moderate. But the danger existed—and it would have been the greater if yet another terrorist attack had occurred. In fact, since the murder of the industrialist, Dr. Hanns-Martin Schleyer last October, the battle against terrorism appears to have gone more the authorities' way.

This danger showed itself above all in the decree of 1972 intended to prevent extremists who wished to undermine the constitutional State from obtaining civil service jobs—the "*Radikalen Erlass*." Put like that the decree sounds almost self-evident—and apparently that is the way it was seen by the (then) Chancellor, Herr Willy Brandt, and the Prime Ministers of the federal States who agreed to it. Its fatal flaw was that it was wide open to perfectionist interpretation by officials in some States, who subjected candidates not so much to an examination as a personal "grilling."

One cartoonist made fun of it all, showing officials dismissing a charwoman whose political attitude was held to be a threat to the "basic democratic order." For many the effect of the decree has been anything but amusing, and the federal system which gives wide competence to provincial authorities, makes the error hard to rescind. Herr Brandt told the Bundestag the other day that when he agreed to the decree he never dreamed of what would be done in its name. His statement served as a warning as well as an admission.

There are even wider implications to be drawn from this national characteristic. To an observer it sometimes seems that West Germans believe democracy to be a perfectable process. The structure is already there—the written constitution with the constitutional court as highest arbiter, the federal President above party politics, the parties themselves and the federal system. The danger, not wholly avoided, is to believe that this excellent structure alone will guarantee the democratic process—providing all citizens do their duty at election time. There are certainly organisational aspects of the West German system which others, including the British, might adopt with profit. But the Germans could benefit, too, from a little more flexibility, making the best of a (not very) bad job—with more emphasis on the idea that they live under the worst system "apart from all the others."

However, that attitude would have its drawbacks. For it is surely this perfectionism, this attention to detail which has helped make the West German economy one of the world's most successful. Bluntly, the Germans generally make good products which other people need and deliver them on time. The underlying cause of their trade surplus (against which must be set a deficit on services) is that, more often than not, they perform this operation more effectively than their competitors.

It is true that trade union-management relations are not as smooth as they were—which is far from suggesting they are on the path to anarchy. It is also true that there is a fairly new minority prepared to "soak" the social security system in what is generally held to be a most "un-Germanic" way. But that does not imply that the Germans have caught what they often, somewhat narrowly, describe as the "English disease."

The price of this success is tough competition and a lot of stress. The inflation rate is now running at a little over 2 per cent. Real economic growth this year is likely to be about 3 per cent, and picking up after a poor first quarter. The D-mark is unpleasantly buoyant for German exporters, but that cuts their import bill for energy and raw materials. In most countries this would be cause for elation. But in West Germany it sometimes seems that only the perfect triangle will do—zero inflation, substantial and sustained growth—and enough unemployment merely to ensure some labour mobility. Even then there would surely be people worrying about how this situation could be maintained.

West German society, then, is not one that all would choose. It sometimes seems that the Germans themselves might prefer something else—as they pour abroad in unparalleled numbers for their holidays. But there is undeniably much to be learned from how the Germans managed to cope so well, in such unpropitious circumstances, with problems which face most of their western partners—trade dependence, energy, industrial relations, the environment and so on.

The American writer and diplomat, Mr. George Kennan, made a similar point in a speech in Bonn earlier this year. He reminded his listeners that he had been in imperial Germany as a child, in Weimar as a student and in Nazi Germany as a diplomat. Returning now, he could think of no other country whose modern development had, by example, so much to offer. That contribution might even be seen as a part reconciliation for the past, he said—but added laughingly that he was an old man prone to exaggeration. His German audience, it hardly needs saying, took the point very seriously indeed.

# WEST GERMANY II

## POLITICS

# Herr Schmidt in the saddle

CHANCELLOR Helmut Schmidt gave the result of the key election this month in the State of Hesse as follows: an increase in support for the Social Democrat Party (SPD), a decrease for the *opposition Christian Democrats* (CDU) and a return of the Liberal Free Democrats (FDP) both to the State parliament and to their coalition with the SPD.

The interesting thing about this is that Herr Schmidt made the statement in a radio interview on September 30—eight days before the election occurred. The result in Hesse says much about the stability of the West German political scene. *And the man who made* the forecast, which proved exactly right, is one main reason why the scene remains stable in Bonn as well as Hesse. The SPD-FDP *coalition stays in* power under Herr Schmidt, and the CDU (with its Bavarian sister party the Christian Social Union (CSU) remains in opposi*tion after nearly nine years.*

### Breakthrough

Hesse could have been the big *breakthrough for the CDU.* The SPD, which used to dominate the state, slipped badly in recent years and could have stayed in government only with liberal help. *This time there was* a real chance that the FDP would fall below the 5 per cent margin of support needed for parliamentary representation. *Exactly that happened in other* provincial elections in Hamburg and Lower Saxony in April. In Hesse that would have left the CDU and SPD alone—and the *CDU expected just to have the* edge on its rival, thus reaching Government power at last. In the event the CDU did emerge narrowly as the biggest single party—though it lost a little ground against its result four years earlier. But the FDP gained more than 5 per cent—and the old firm remained in Government business.

A CDU victory would have *had important consequences* at national level. For while the SPD-FDP has a majority of 10 in the lower house of the federal Parliament, the CDU-*CSU is on top in the Bundesrat*, the second chamber, which groups representatives of the federal states.

More over a win in Hesse would have given the CDU-CSU a two-thirds Bundesrat majority, *and the right to block all* Government legislation passed up to it if it wished. The Government would have been left with the choice either of *continuing more or less as an* administrative body, foresaking the right to new law-making. Or it would have had to take the steps *necessary to bring* premature general elections. The next such elections would not normally be due until late in 1980.

One conclusion likely to be drawn by many from the Hesse result is that it provides the final proof that the CDU cannot *return to power by hoping to* displace the SPD-FDP together. It is probably a wrong conclusion and the election in West Berlin next March could prove *it to be so. There, too, the SPD* and FDP are in alliance—the latter with only 7.1 per cent of the vote. They will face a powerful challenge from the *CDU, the biggest single party* with 43.9 per cent of the vote, under an outstanding new leader there, Dr. Richard von Weizsaecker. He is one of the *mort effective represntativs of* the middle ground in the CDU. He may well tempt away liberal support from the FDP—which is what the CDU leader in Hesse, Dr. Alfred Dregger, largely failed to do. Dr. Dregger is generally seen as well to the right of his party. Even SPD and FDP supporters, dissatisfied with their Government's recent performance, found it *hard indeed* to make the major lean to support him.

But what is the alternative for those in the opposition who feel, nevertheless, that they will never displace the SPD-FDP "block parties," as they call them? One clear answer is to found a new, fourth, party countrywide to try to scoop up *every last right wing vote. This* has long been an idea with which the ebullient CSU leader, Herr Franz Josef Strauss, has toyed. It goes almost without *saying that this fourth party* would, in essence, be an extension of his own remarkably successful CSU beyond Bavaria's borders, led by himself.

It is just conceivable that such a party, in the right circumstances, could gain enough support to enhance Herr Strauss's chances of becoming opposition candidate for the Chancellorship in 1980. The previous candidate was the CDU chairman, Dr. Helmut Kohl, under whose leadership the opposition gained 48.6 per cent of the vote in the 1976 elections—a highly respectable result, but not enough. It is also quite conceivable that the foundation of a fourth party by Herr Strauss would simply split the opposition altogether (the CDU and CSU often appear to treat one another as rivals rather than allies) and help no one but the present Government coalition. The West German political system, with its "5 per cent" rule, makes life hard for new forces on the political scene. The groups of environmentalists who made something of an impact in Lower Saxony and Hamburg in April *made precious little in* Hesse in October. As for the extremists of Left and Right, they are hardly visible—let alone close to 5 per cent.

*An opposition split would* mean that, barring accidents, Herr Schmidt would remain Chancellor through into the 1980s. *And that would seem* to match the desire of many Germans—for Herr Schmidt is far and away at the top of the list in opinion polls on the *country's leaders. He is also* much the finest performer in the Bundestag. His nearest rival, Herr Strauss, is leaving 1970s, has slipped back. Italy *to take up the Prime Minister*-ship of Bavaria—which does not mean an end to his national ambitions, only that he will be pursuing them from a different angle.

Dr. Kohl had a fine record in his previous post as Prime Minister of the State of Rhineland Palatinate—but often gives *the impression that he is not* wholly comfortable when leading his forces into the attack in the Bundestag. He is not as bad as many critics claim. "The world has not yet even acknowledged your existence." Herr Schmidt remarked unkindly, and partly inaccurately, to Dr. Kohl in a Bundestag speech the other day. But if the foreigner's chief interest in West German politics is confined to asking whether Herr Schmidt is firmly *in the saddle—then the answer* is yes.

**Jonathan Carr**

*Chancellor Helmut Schmidt: heading the popularity polls.*

## DEFENCE

# Sources of friction

LAST MONTH the Atlantic Treaty Association held its *annual congress in Hamburg.* A more suitable site could hardly have been found for discussion of the Association's chosen theme. "The Atlantic allience *and the situation in Central* Europe." For Hamburg, West Germany's most populous city (excluding West Berlin), is only about 50 km from the border with the Warsaw Pact. In other words a rather slow vehicle can cover the distance easily within *the hour.*

West Germany's geographical position is the uncomfortable constant around which ever-changing and often abstruse *domestic arguments* about weaponry and tactics revolve. The country's eastern and western borders are less than 500 km apart. One-third of the population and about one quarter of industry lie within 100 km of the frontier with East Germany. Theoretically there could be a military case for drawing on an invader from *the East—"trading territory for time"* as the jargon has it. But the huge losses West Germany would quickly, inevitably, suffer make such a course politically inconceivable.

### Strategy

Hence the commitment of NATO to a strategy of forward defence—meaning that as many allied nations as possible would act to repel aggression the moment it occurred. Hence the profound uneasiness in Bonn *last year when reports emerged* of a study in Washington apparently proposing a watering down of the forward defence strategy. Even the question of the neutron bomb hardly touched so sensitive a nerve in West Germany. The U.S. made clear the document *involved* was simply a study of possible options. President Carter reaffirmed commitment to existing strategy and the immediate upset died down. But for the Germans it was an unpleasant reminder of vulnerability.

*It is in this context that the* Bundeswehr—the West German armed forces — must be seen. Bonn makes the second biggest *overall contribution to NATO* after the United States, keeping roughly 500,000 people under arms. They are recognised—in the east as well as the west—as *well trained and well armed.* The 1978 defence budget showed a fairly small increase against last year — of 4.3 per cent to DM 34bn. But the pro*portion of it being spent* directly on weapons and ammunition increased sharply, while that part going to personnel and administrative costs *declined.* The West Germans aim to spend about DM 40bn, to the end of the 1980s on new weaponry alone. And most of the programmes necessary to ensure this have already been approved by Parliament.

Figures alone cannot tell the whole story. *For many years* West German defence spending was being concentrated exclusively on the European theatre while that of several key allies was still *partly going overseas*, for colonial or post colonial commitments. This also meant Bonn was concentrating on a relatively limited range of military equipment—tailored exclusively to the fulfilling of European tasks.

*All that is sometimes a cause* for apprehension for former foes of Germany in two world wars. But the defence role of the Bundeswehr is not just a matter of stated Government policy (as well as a constitutional obligation). By its train*ing, disposition and equipment* the Bundeswehr is not suited to an attack role. It is embedded in a structure with the forces of other allies whose presence on German soil is not simply tolerated but essential to maintain a credible defence posture before the East.

These forces together remain inferior in number to those of the Warsaw Pact—but are thought still to have a qualitative superiority. The West has roughly the same number of tactical nuclear weapons as the East and a qualitative lead—though this could be lost before long without a new drive for modernisation. As for strategic *nuclear weapons*, the Soviet Union and the U.S. are roughly in balance—after many years of American superiority. These three elements—conventional *forces and nuclear tactical and* strategic weaponry—make up the so-called "triad" of NATO defence.

Nato's aim remains a balance of power at the lowest attainable level of force. The NATO-Warsaw Pact discussions on mutual and balanced force reductions (MBFR) have been one *path to this objective.* And after years of apparent stalemate, West Germany, for one, *feels there are now some hope*ful signs of movement. The two *super-powers also seem* close to a second agreement in their Strategic Arms Limitation Talks (SALT).

The upsetting factor for the *West Europeans in general and* the West Germans in particular, is the Soviet build-up of its medium-range nuclear potential—for example, the SS-20 missile and the backfire bomber. These are the so-called "grey zone" weapons which do not come within MBFR because they are nuclear, nor within SALT because they have not so far been widely considered strategic. But with a range of up to 4,000 km they could hit all European countries, so that they definitely present Europe, if not directly the U.S., with a strategic problem.

The danger is that the balance of the "triad" will be upset—that the superpowers will reach an accord in effect paralysing one another in the intercontinental strategic sector, while the Soviet Union continues its medium-range build-up unhindered. The best *answer would be to draw this* problem directly into the SALT talks—so that an early Salt 2 accord would lead automatically to a third round embracing the "grey zone" problem.

The less satisfactory alternative would be provision to the Europeans by the Americans of a medium-range balance to the Soviet threat. That implies both the readiness of the U.S. *to make the offer and the will*ingness of Western European Governments to go through the domestic upheaval involved in taking it up. The debate within *West Germany on the neutron* weapon—described by a leading member of the ruling Social Democrat Party (to the consternation of the Government) as a "*perversion of thought*"—indicates the kind of difficulties that could be involved.

Thus potentially the "grey zone" problem is a source of serious friction between the U.S. and its European NATO partners. It could be another of those periodic "crises" which have arisen within the alliance but which have not—in the long run—prevented it from fulfilling its basic security objective. *A different outcome* this time would imply a political decision either from the U.S. to disengage from the European theatre or from its allies deliberately to permit a *growing* East-West European imbalance, with all its consequences.

There is no sign that either the West German *Government* parties or the parliamentary opposition have any intention of allowing the latter to happen. Occasionally the international alarm bells ring—because of the fury of the neutron weapon debate (not of course confined to West Germany) or over alleged plans within the SPD for the country to "go neutral."

*The fact is that the SPD now* has a closer relationship to the Bundeswehr than ever before—thanks not least to the efforts of Georg Leber, the former trade unionist leader and until early this year Defence Minister. He has been succeeded by Herr Hans Apel, who shows as little inclination for a neutralist role as the former Defence Minister and present Chancellor, Helmut Schmidt. This is the context in which the political debate about the country's present and future course is conducted.

**J.C.**

## THE ECONOMY

# Boom on the way?

IS THE West German economy heading for a boom? As recently as early summer this year, the question would have seemed absurd. The talk was all of stagnation, uncertainty, over-capacity and intractable unemployment.

Count Otto Lambsdorff, the Economics Minister, must have been glad that he had spoken in January of a 3.5 per cent growth rate in real Gross National Product as "an attainable yet ambitious goal." By late June, with the vision of reproachful faces around the table at the Bonn Summit meeting already no doubt looming in German Ministers' imagination, Dr. Otto Schlecht, the Economics Ministry State Secretary in charge of macro-economy policy, was convinced that additional stimulus was needed irrespective of what West Germany's partners might demand of it.

Yet hardly had the Summit guests gone home, and the West German Cabinet completed work on its DM12.25bn package of tax cuts and reforms, than signs of a change for the better seemed to multiply.

## Revised

The Federal Statistical Office revised upwards its production and orders figures. The inflation rate, already slackening, fell to below 2.5 per cent on an annual basis, the lowest level since 1969. The trade figures for August showed a surplus for the first eight months that indicated export performance had suffered scarcely at all from currency upheavals. Interest rates remained low. Production and orders for August, published at the begining of this month, showed a further healthy jump.

Finally, the unemployment statistics for September revealed a convincing fall in the total out of work, and brought the rate down to 4 per cent. Count Lambsdorff could safely predict that the monthly average of total unemployed for the year would be under the 1m mark for the first time since the oil crisis.

Although there is no gainsaying all these pointers towards recovery, West Germany is not yet allowing itself to get too excited. For one thing, the indicators have not yet all been favourable for long enough to draw firm conclusions. For another, there are still important branches of industry such as steel and shipbuilding for which the outlook remains extremely bleak. And not least, even if the difference between optimism and pessimism turns on whether one thinks the economy is growing at 2.5 or 3 per cent, nobody is ready to believe it will reach anywhere near the 5.6 per cent of the last real recovery year, 1976.

Perhaps the most certain positive sign is also the least tangible. The mood has changed almost diametrically within a few months to one of confidence. The IFO economic research institute of Munich has admittedly since the spring been reporting a slow rise in business confidence as measured by its monthly survey asking companies to assess the outlook for the next six months. As a result, the IFO team finds the present mood neither so remarkable nor so radically different from the recent past as some other observers.

The same cannot be said for the Bundesbank, whose most recent monthly report came close, in its discreet way, to euphoria. The central bank could see little that was not to its liking. Wages—one area where Dr. Otmar Emminger, the Bundesbank President, has frequently sounded a warning note during the past year—have been rising at between 5.5 and 5.7 per cent inclusive of drift—a slightly higher figure than the central bank or the Government would have liked, yet far from dangerous.

With prospects on the prices front so favourable, a rise in real incomes of about 8 per cent this year is in the offing. In a recent interview Dr. Emminger predicted that from mid-1978 to mid-1979 growth might be in the 3.5 to 4.5 per cent range which be considered "almost ideal" and one that would allow full capacity use and reduce unemployment without any risk of overheating.

Thus far the Social Democratic-Free Democratic coalition Government has been much more hesitant in its pronouncements, conscious that this autumn's more favourable statistics could still prove to be no more than what Chancellor Helmut Schmidt has referred to as "a grass fire."

The Government's post-Summit package of tax cuts, not yet even enacted, has plainly had no effect. But it can claim a large measure of credit for the most visible manifestation of the recovery—in the building and construction sector. Here the benefits of the four-year DM 16bn medium-term investment programme put into effect in March 1977 have led to a boom. During the second quarter new orders were up no less than 31 per cent from a year before, with big contractors doing well from the public sector's increased spending and the smaller concerns prospering from recent tax changes favouring the restoration of older structures.

There have been signs for some months of classic bottlenecks in the industry, notably in an extreme shortage of skilled labour. This has been a decisive factor in Bonn's rejection of advice both from domestic and foreign critics that it should try to spend its way out of stagnation. It was clear that the construction sector, as the main direct beneficiary of most such programmes, was in no state to absorb any more.

The second expansive element has been a drop in the savings rate and a corresponding increase in consumer demand. The motor industry, still riding on the crest of a domestic sales boom that has now lasted three years, is no longer the sole beneficiary. Other consumer durables, textiles, furniture, foreign travel, and not least new housing, have all experienced a brisk year's trading. The authorities have been quick to point to the 8 per cent increase in the volume of imports during the first eight months of this year, compared to a 5 per cent increase in export volume—an eloquent proof of how much the German consumer is doing to help his neighbours abroad.

The intention of the post-summit package, which should be worth about DM 12.25bn in 1979, is to add further to the forces contributing to private consumption, partly by smoothing away the jump in tax rates from 22 per cent to 30.8 per cent which now hits incomes above DM 16,000. It will also raise child allowances and maternity leave and, not least, make nearly DM 1bn available in each of the next two years for research and development and for the implementation of new technology.

Not for the first time, however, Bonn has found itself up against the limits of public borrowing laid down in the constitution. The tax cuts on incomes are to be partly balanced by an increase next July in VAT from 12 to 13 per cent, not only redressing a situation where personal income tax has risen to 30 per cent of the total take from 12 per cent in 1960 but seeking to assuage fears that public borrowing has got out of hand. Comparative figures issued by the Finance Ministry show the relative burden borne by the West German taxpayer, at DM 5,300, to be a little lower than that of his British counterpart (DM 6,300 equivalent) and well below that of a Belgian or U.S. taxpayer (DM 9,800).

But feelings continue to run high in West Germany against high public deficits. Herr Hans Hatthoefer, the Finance Minister, has had to undertake that the record DM 35.8bn net borrowing requirement for 1979 will be progressively run down over the following three years.

All the same, there seems little immediate prospect that the Government will run into serious difficulties either politically or in the capital market in raising this sum. Dr. Emminger and his colleagues see no danger that interest rates will be pushed up significantly from their present low levels by Government borrowing, or that industrial investment will be squeezed out. Liquidity both of banks and customers remains high, although new borrowing has begun to pick up markedly.

Major doubts do remain about the strength of the present recovery on the external side. The main impulses for growth have been coming from the domestic economy yet it is far from clear whether West Germany is any closer to being able truly to generate and sustain a boom from its own resources alone—as for example the U.S. can still largely do.

## Exports

The West German economy remains highly geared to exports, which account for some 27 per cent of GNP. It is for this reason that the dollar's fall continues to be a source of such deep concern, and that the crux of Bonn's international economic policy is now the attempt to create a new zone of stable exchange rates within Europe. Well over half West Germany's exports go to other West European countries, in and outside the Community.

Bonn is determined to protect German competitivity in these markets, as it has successfully done in the smaller but vital market of the remaining "snake" countries, which take nearly a quarter of total exports.

German officials may agree that the problem of the dollar itself, in which much of their trade with third countries is denominated, remains the most urgent issue in international monetary affairs. Yet the past two years have convinced them that while there is little Europe can do directly to help the dollar, it can at least try to grapple with instability among the major European currencies.

So far as 1978 is concerned, however, it is still not entirely clear how exports have fared. Reports from a good many leading companies have been notably more hopeful than Ministerial speeches. Orders from export customers in July/August were up 2.5 per cent from May/June and 9 per cent from a year previously (though a small number of very large orders appear to have been partially responsible for the very large jump registered in August).

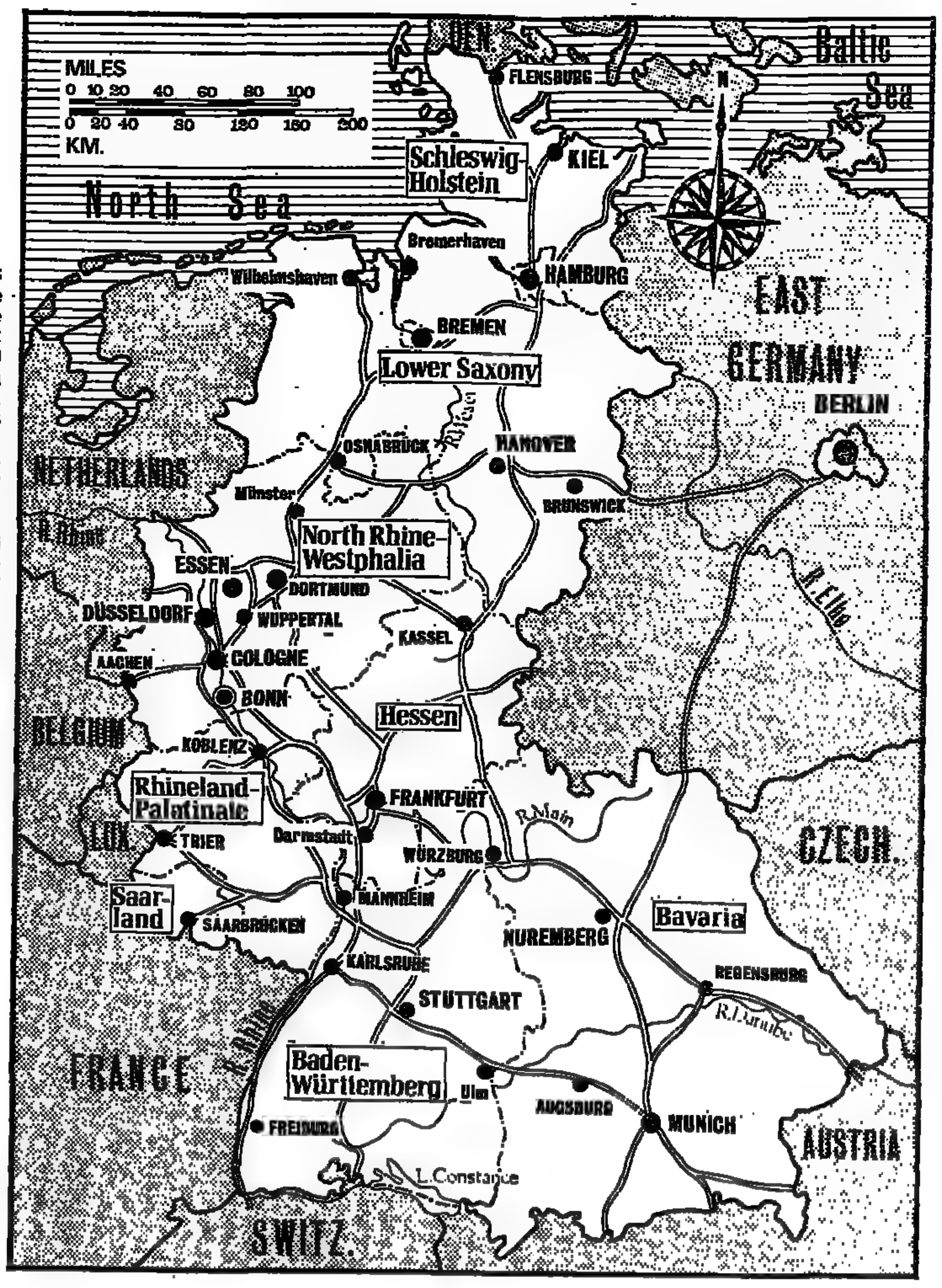
Most compellingly of all, the surplus on the trade account has risen during the first eight months of 1978 by DM1.2bn to DM23.8bn. Taking into account services and capital transactions there was an overall surplus of DM4bn compared to only DM666m in the first eight months of 1977.

Official explanations attribute much of the improvement to a favourable shift in the terms of trade, which has incidentally exposed some industries to severe price competition from imports. Yet a 5 per cent increase in export volume would be a very creditable performance for any country in the present state of world trade.

How far it represents a continuing trend is perhaps now the key question for the West German economy. The flow of export orders in the next few months should provide an answer. In the meantime West Germany may once again find itself being told it has been making too much of the D-mark's strength.

**Adrian Dicks**

| BASIC STATISTICS | |
|---|---|
| Area | 96,062 sq. miles |
| Population | 61.4m |
| GNP (1977) | DM1,193bn |
| Per capita | DM19,430 |
| Trade (1977) | |
| Imports | DM235bn |
| Exports | DM273bn |
| Imports from UK | £2.76bn |
| Exports to UK | £1.83bn |
| Currency: DM | £1=DM |



## FOREIGN POLICY

# Inter-dependence is the key

"I SHALL speak first in the name of the Europe of the Nine." With these words Herr Hans Dietrich Genscher, West German Foreign Minister and current Chairman of the European Community's Council of Ministers, began his speech last month at the General Assembly of the United Nations.

He went on to spend about two-thirds of his time talking on behalf of the Community about Africa, the Middle East, the Euro-Arab dialogue, Cyprus, free trade, energy and raw materials—and human rights. Only at the end did Herr Genscher raise topics like defence which do not (yet) fall within the Community's competence.

The striking fact is that this aroused relatively little comment. It is no longer felt particularly worthy of remark that Bonn's foreign policy strategy should become, as it were, partly submerged in that of eight partner countries. That is partly a tribute to the progress made in the last few years in European political co-operation. It is also a state of affairs which suits West Germany down to the ground.

In principle Bonn has always had particularly good cause to seek support from others—even when it might have been possible to push through a desired policy alone. In practice the Germans often seem to have managed to isolate themselves with a tough position, waiting until the spotlight was firmly upon them and then backing down.

Cases of that kind are becoming comparatively rare. It is hard to say whether, as some claim, this goes back to a conscious policy alteration by Chancellor Helmut Schmidt within the last 18 months. It could be that in this respect too Bonn has learnt from the French — unwillingly admired by their partners for their expertise in pursuing national objectives in the guise of community policy making. Whatever the reason, West Germany has certainly become more adept at retiring gracefully from the fray when it sees that further argument would simply leave it the odd man out. Bonn's agreement to a further liquidity increase at the September International Monetary Fund meeting—a move it previously felt unjustified—is the most recent example of this. There are bound to be more. It does not imply that West Germany is forsaking its national interest, but rather that it has come to conceive that interest in a different way.

There is, of course, more to it than tactics. West Germany is a highly vulnerable country. It is dependent on imports for almost all its energy and raw materials, and on exports for about one third of its gross national product. For a great trading nation it has a woefully limited coastline. Its Central European position means it has common frontiers with an unusual variety of states, whose interests may not always coincide with its own. That goes for the eastern borders with communist East Germany and Czechoslovakia in particular. If war came to Europe, West Germany would almost certainly be the initial battlefield.

It is true that in a world of increasing economic inter-dependence and sophisticated weaponry, other European states are vulnerable too. But West Germany has been faced with a peculiarly complete set of disadvantages. They seem to have forced upon it a realisation of national vulnerability, and the inevitable policy consequences, which still partly eludes some of its near neighbours.

West Germany does not even have the stability born of a sense of unbroken history. It used to be suggested that Herr Schmidt was the first post-war West German leader free to govern without constantly having to look over his shoulder at the shadow of Adolf Hitler. In fact the shadow remains and, as Herr Schmidt stressed to the cabinet the other day, so did the memories of Auschwitz and Oradour. Even non-Germans born after the war are quick to link real or imagined flaws in modern Germany with the Nazi past.

The foreign policy conclusion is clear. Bonn must make a contribution commensurate with its economic strength. But it must do so without a clamour of self-congratulation—for the result of that would simply be the arousal of envy mingled with old fears. Hence West Germany's sensitivity to the American suggestion that it act as a "locomotive" of the world economy. It is a role Bonn would strive for historical reasons not to occupy even if it felt it were possible; which it clearly does not.

The classic example of this policy working at its best came in July at the western economic summit held, suitably enough, in Bonn. The "locomotive" theory, already on its way out, was finally consigned to the dustbin in favour of a set of pledges of complementary economic action by states recognising their inter-dependence. West Germany paid the price of a higher public sector deficit than it would otherwise have been ready to accept in return for action, or the promises of action, from its partners. The result was fully in line with the West German view that the health of its own economy depended at least as much on what was done in Tokyo, or Washington or (the next major hurdle) at the trade talks in Geneva as on any conceivable domestic action.

Similarly, assured, long-term supplies of raw materials and energy depend on matters far beyond West German control, including a Middle East settlement and a peaceful solution to the problems of southern Africa.

Beyond even these ambitious aims they depend on discovery of a fair balance of interests between the developed and developing world: on all those intertwined problems labelled (almost in despair it sometimes seems) the "north-south dialogue." It is in one small effort to bring such a balance nearer that Bonn has followed Britain in writing off the debts owed to it by some of the world's poorest countries. Other concessions are likely in return for movement from the other side, including pledges of greater security for foreign investment, public and private.

It is also worth noting that it is a West German, Herr Willy Brandt, who heads the independent, international committee seeking ways of solving the same complex of problems. Less than a decade ago Herr Brandt led the drive for normal relations between Bonn and Eastern Europe, the "Ostpolitik." Vital West German national interest is less obviously involved in his new task—but it is there just the same.

Closer to home Bonn's key bi-lateral relationship lies with France, more this year than before. The major initiative emerging from this—the drive for a new monetary system and its impact on other partners—is discussed elsewhere. Here it is enough to say that such an initiative would have stood no chance of success had West Germany sought to make it alone.

This is only one example, albeit the most striking, of an increasingly co-ordinated strategy between Bonn and Paris in which the strengths of one side help to compensate for the weaknesses of the other. In Africa, for example, the Germans could not participate directly in military operations as the French have done, partly to help limit Soviet influence in the region. But Bonn can provide powerful flanking assistance with its strong economy, open market and its relative freedom from a colonial past. These advantages are now being put to more direct political use in a close co-operation with France which clearly does not exclude other western initiatives on the continent.

The Franco-German alliance has been intensified by a mutual concern over aspects of U.S. policy. It almost goes without saying that this point is hardly ever mentioned officially since credible defence of Europe still lies firmly in American hands. This remains the uncomfortable background to any specifically European initiative. That does not mean such initiatives cannot occur, only that they must be properly prepared and carried out with caution.

The whole of Bonn's "Ostpolitik" would have been unthinkable without the American defence shield. There would have been no chance of reaching the kind of co-operative relationship with Moscow, symbolised by the visit to Bonn earlier this year of the Soviet President, Mr. Leonid Brezhnev. Without that relationship there would have been no prospect of improving ties between the two German states, thus holding the door open to eventual reunification of the nation. And that remains a firm West German aim, even though the achievement of it depends crucially on the co-operation of others.

J.C.

## MONETARY POLICY

# Risky path to union

"NOTHING ON earth is conceivable without risk—not even love, let alone monetary policy."

Chancellor Helmut Schmidt made this remark last month in the presence of the French President Valery Giscard d'Estaing and officials assembled in Aachen for the regular Franco-German consultations. He was referring to the plan for a new European Monetary System (EMS)—which emerged this year to the astonishment of almost everyone except the French and West German leaders themselves. Both men are aware of the risks involved, but profoundly convinced of the greater dangers of doing nothing.

Much has already emerged on the technicalities involved in establishing the new system, which is supposed to begin its first stage of operation on January 1 next year. (That is, incidentally, the day that France takes over the chairmanship of the European Community's Council of Ministers from West Germany, reason enough for Paris to wish to stick to the EMS timetable.) Rather less consideration has been given either to the bilateral relationship which caused the monetary initiative to emerge, or to the long-term consequences if it is successful. Yet both leaders made it clear in Aachen (the city of Charlemagne) that they are thinking decades ahead. As M. Giscard put it, they are seeking an organisational basis to ensure a sound future for what he called "our old and beloved continent." While technical questions had, and still have, to be resolved, the two men have made it plain enough that they will not permit these to deter them from their goal.

The Franco-German relationship has clearly reached a degree of close co-operation hitherto unparalleled in the 15-year history of the friendship treaty between them. For that, the excellent personal ties between Herr Schmidt and M. Giscard are particularly responsible—which does not mean they have always had identical views, even on monetary matters. Herr Schmidt, for example, was shocked when M. Giscard first called an international conference at Rambouillet in 1975 specifically to discuss monetary issues. He feared serious friction between the French, with their criticism of the dollar's role and of the floating rate system, and the U.S.—which might indeed have decided that such a conference was not even worth attending. He therefore put a lot of work into seeing that enough economic topics were put on the agenda to ensure the monetary issue the place of just one problem among many. The upshot was the first of the western economic summit gatherings, the latest of which was held in July in Bonn.

But this year Herr Schmidt and M. Giscard are agreed that, in the Chancellor's words "domestic monetary stability and international currency stability are absolutely necessary conditions for continuous growth." That implies that each country has accepted part of the case of the other. M. Giscard is ready to risk the domestic pressures involved in imposing a policy to cut French inflation. And Herr Schmidt is prepared to risk the somewhat higher degree of domestic inflation (currently running at just over 2 per cent) likely to be entailed in the efforts to create a zone of European currency stability. Bluntly, the French have become a bit more German in their economic attitudes and the Germans a bit more French in their attitude to currency questions. This development was in no way a foregone conclusion. It is reasonable, given the rivalry and enmity between the two sides in the past, to call it historic.

It would be wrong to suggest that all this means Britain has been booted off the top table in Europe. It would be more accurate to say that Britain has so far declined to take its place there wholeheartedly. It is conceivable that M. Giscard may derive some satisfaction from this. Certainly President de Gaulle would have done so. But Herr Schmidt wants Britain there, and would have been only too pleased to see his friend Jim Callaghan (whose qualities tend to be praised in Bonn in sometimes embarrassingly fulsome terms) leading the way. Herr Schmidt, after all, voted against the Treaty of Rome establishing the European Community because he felt that the enterprise stood no chance without British participation.

None of that means that Herr Schmidt and M. Giscard were at any stage prepared to drop their joint monetary initiative simply because there was no guarantee of British participation. Nor does it mean that they are ready to water it down so that it becomes relatively inoffensive both to opponents of European integration and to firm supporters of a floating rate system. The objective is that the system will be at least as tough as the existing currency "snake," with of course the possibility of somewhat greater flexibility for a transitional period for countries (Britain, Ireland, Italy) with economic problems currently looming larger than those of their partners. Credits will be made available on what an elated Bonn State Secretary calls the "three-stage rocket principle." That is very short currency support with no strings, short-term credits with some limited strings attached—and medium-term credit with firm economic commitments attached for the borrower. The precise time scales and conditions may well vary somewhat from those existing already within the snake and through other Community arrangements. But it is not intended either to turn the system into a soft option to national economic stability policies or to prop up artificially and indefinitely the currency of a member state against an underlying trend. A defence against short-term currency instability is the aim, with the option of speedy exchange rate alteration when required.

So far none of this is very different from the present "snake" arrangement. On that basis alone it is possible to argue that if a country has been unable to submit itself so far to "snake" discipline, then there is no immediate reason why it should find it easier to stay within the EMS. Better, perhaps, to retain the option of floating downwards to try to remain competitive (an option of course presently open to, but now being deliberately closed by, the French).

The West Germans have several replies. One is that if a national European leader has firmly set the battle against inflation as his top economic priority, in the conviction that only price stability will help preserve jobs in the long run, then the EMS will give him a powerful additional argument to preserve his policy. Further, the West Germans recognise that in connection with the birth of the system a greater effort must be made to direct more

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## ENERGY

# Tough decisions lie ahead

ENERGY POLICY has not often hit the headlines in West Germany this year—which could give the wrong impression that the major problems have been largely solved.

Certainly the nuclear debate has cooled and violent clashes between police and demonstrators around the sites of future nuclear power stations have virtually disappeared. But the basic problems remain. Indeed, the low-key publicity may be giving the Government a still harder task. How do you convince people that prompt action is needed to avoid energy scarcity in the 1980s when the country is wallowing in surplus and the voice of the anti-nuclear forces has been muted, if not stilled?

One way (not, however, convincing to the advocates of "qualitative growth") is to emphasise clearly the link between the jobs of the future, economic growth and energy policy—rather than treating the three as separate entities. If gross national product continues to grow more slowly than the increase in productivity per working hour, then the upshot will be an increase in the number of unemployed, currently averaging just under 1m.

Last year productivity increased by 4 per cent and there is likely to be a similar result this year. The respective real GNP growth rates are 2.4 per cent for 1977 and probably about 3 per cent for 1978. This makes the Government's aim of 4 per cent annual GNP growth into the 1980s look ambitious—but also understandable if the jobless total (and the public sector deficit) is not to increase and the social security system is to be financed. Since that is indeed the intention, there is no alternative to a policy which aims to provide the energy such a growth-rate implies.

That task is, naturally, especially hard for a country relying on imports for most of its energy. It means that foreign political and strategic issues loom large as well as purely economic ones. From this viewpoint the pattern of energy development over the past decades in West Germany has been unsatisfactory.

The country has only one particularly significant domestic energy source — namely coal. In the 1950s hard coal alone acounted for more than 80 per cent of the country's primary energy needs. But by last year the figure was down to less than 18 per cent (with lignite making up another 9.5 per cent).

Meanwhile oil moved into a dominant position (because it was cheap and plentiful) and retains it—despite the oil crisis and the flurry of activity after it aimed at diversifyng energy sources and at energy conservaton. Last year oil still accounted for 52.1 per cent of energy needs, the same figure as in 1975. At the same time the role of natural gas has been growing (to 15 per cent of energy needs), as has that of nuclear energy (to a modest 3.2 per cent).

The immediate answer might appear to be simply to turn the clock back, cut imports drastically, drop the difficult nuclear option—and rely on coal. After all West Germany has an estimated 24bn tons of commercially extractable hard coal reserves and 10bn tons of lignite—enough to keep the lights burning for many decades to come. Hard coal and lignite together already account for more than half the country's generated power, and almost all coking coal requirements for steel manufacture can be met from domestic production.

Indeed coal is given a priority role in the latest revision of the Government's energy programme. But that does not mean that other sources can now be ignored. It implies instead that if all goes ahead as hoped (a big assumption) hard coal will provide nearly 16 per cent of energy needs in the mid-1980s, lignite more than 7 per cent, natural gas over 18 per cent, nuclear energy over 10 per cent—and oil will stay on top with more than 46 per cent (a smaller percentage but greater tonnage than today).

Why could coal not do more? The answer is that it is already notably expensive to keep it at its present production level. Stocks are constantly growing thanks to the continuing recession in the iron and steel industry, which takes most of hard coal production. And the rise in the D-Mark means increasing competitive pressure from imports not only of oil but of non-German coal. This year alone public sector aid to the coal industry will total well over DM 4bn. The Government has earmarked DM 750m up to 1980 for development of new coal techology alone. The future of West German coal is clearly secure—but the future does not belong to it alone.

West Germany also has some natural gas—but is still dependent on imports for more than half its needs. The arrangements taken to ensure those imports make a classic example of the country's careful diversification of supply. They involve long-term agreements with the Netherlands, the main supplier, the Soviet Union (including a triangular deal with Iran, and, most recently, with Algeria (4bn cubic metres annually for 20 years starting in 1984).

The Soviet contracts—involving provision of natural gas in payment for German steel piping—might yet prove the forerunner of another scheme, different in energy source but similar in strategy. Under it the West Germans would supply nuclear power stations to the Russians in return for electricity pumped into the Western European grid via Poland and East Germany. Initial efforts failed to bring this project to fruition. But there are occasional indications at high political level that the scheme has not been dropped for good.

Similarly—but this time in the oil sector—the deal announced this summer between the West Germany energy concern, VEBA, and Deutsche BP has a political significance transcending its immediate inter-company importance, big though that already is. VEBA, in which the federal Government has a 44 per cent stake, not only streamlines its refining and trading activities through the accord. It is also guaranteed 3m tonnes of oil at competitive prices annually up to the year 2000.

At first sight this amount may not seem much when compared to West Germany's total oil imports last year of 98m tonnes. But the essential point is to establish long-term co-operation with a company having major access to North Sea oil (VEBA itself already has a smaller stake in North Sea operations via the exploration company, Deminex). Britain has oil—and West Germany will continue to need oil for decades to come. That is why the VEBA-BP deal is likely to go ahead—though some alterations seem certain to be made to meet the recently announced strictures of the West German cartel office.

It is worth noting that British oil shipments to West Germany in the first half of this year increased by 87 per cent against the same period of 1977—while those of Norway actually doubled. Together these two countries now account for 9 per cent of German oil imports against just 4 per cent a year ago. Meanwhile imports of Arab oil dropped by 18 per cent in the first half—meaning that oil from this source now accounts for 58 per cent of West German imports against 65 per cent in 1977. The political significance of this trend hardly needs underlining—though it clearly does not mean that West Germany is likely to be able for the foreseeable future to become independent of imports from the Middle East region.

On the nuclear front, arguably the most important development this year has centred on a provincial minister, Herr Horst-Ludwig Riemer, who holds the economics portfolio in the State government of North Rhine-Westphalia, announced last month he opposed further work on the fast breeder reactor prototype at Kalkar, near the Dutch border. He warned of the dangers of the "plutonium economy" and proposed instead that the Kalkar project which has so far cost well over DM 1bn, should be turned into an installation to dispose of plutonium

This development dramatically underlines that energy policy under the federal German system crucially depends on the provincial governments (and, of course, the courts) as well as on Bonn. Other examples of this include the arguments between the federal Government and that of Lower Saxony on construction of a nuclear reprocessing and waste disposal facility, and between several provincial governments and Bonn over the financing of energy-saving measures. For Bonn the Kalkar project is a matter of central importance. By making far more economical use of nuclear fuel than conventional reactor types, the fast breeder could greatly reduce West German dependence on uranium imports. This aim was reinforced by the uncertainties which surrounded provision of supplies from the United States following President Carter's entry to office.

Meanwhile the West Germans scour the earth for more sources of natural uranium. The aim is secure over half the country's needs through companies either wholly or partly German owned.

J.C.

*Solar panels being used to provide heating and hot water for a group of houses in Freiburg*

## MONETARY POLICY

CONTINUED FROM PREVIOUS PAGE

resources to the economies of the Community most needing them. This could mean, for example, both renewed support for efforts to reform the Common Agricultural Policy (CAP) and to extend the operations of the European Investment Bank (EIB). It is here that the weaker economies have a wholly legitimate claim—not, it is felt, in weakening the planned structure of the EMS itself.

Finally, all this ignores the long-term aim of the system. What will be the eventual role of the European Monetary Fund? What is the significance of the European currency unit, the ECU which will eventually play a key role in the system and which also, it so happens, is the name of an old French gold coin? The answer is that if the EMS proves a success it will eventually emerge not only as a potential rival to the International Monetary Fund but will also have a reserve asset as an alternative to the dollar.

It almost goes without saying that the authors of the scheme have constantly stated that the EMS is not directed against the dollar and will, indeed, act for stability of the U.S. currency. In the short run this may prove true. In the long run it is hard to see how a successful EMS can help but mean a decline in the relative importance of the U.S. and its currency in international affairs.

There is very good reason for believing that this is the underlying aim — though there is just as good a reason for the authors of the scheme failing to mention it. Certainly in West Germany there is little enmity to the U.S. —rather much gratitude for the vital American contribution over decades. But there is now also a firm resolve to act to try to shield the European economy against the impact of the decline of the dollar—a national currency which others have had no choice, so far, but to use as a major reserve asset.

This is an enterprise far from being without risk. But there are also risks for those who remain outside the European effort at the start and only later try to forge appropriate terms for entry. As Herr Schmidt made clear in Aachen—there are no risk-less options.

J.C.

# Some leading personalities

Franz Steinkühler

Walter Hesselbach

## Franz Steinkuhler
## Walter Hesselbach

FRANZ STEINKÜHLER and Walter Hesselbach represent two very different sides of the West German trade union movement.

Herr Steinkühler, 41-year-old regional organiser of IG-Metall in Stuttgart, is an ambitious, tough bargainer, yet also an innovator.

Herr Hesselbach, now 63, is a banker and businessman whose flair would make him stand out in any sector, but who has spent most of his career shaping the powerful conglomerate that cements the disparate business interests of the German unions.

The two men's very different contributions are, perhaps, as good an illustration as any of the German trade union movement's attitude to life—hard-headed, pragmatic and self-reliant, yet fundamentally committed to making the capitalist social order work well enough to pay rich dividends to union members.

In his six years as the engineering and metalworkers' leader in the traditional showplace region of Baden-Wuerttemberg, Herr Steinkühler has already earned his place in industrial relations history.

In 1973, he led a successful strike to improve working conditions on the assembly line. As well as more generous severance terms for older workers it was the first German strike since the war not to be called about pay.

This spring, however, the bitter series of strikes and stoppages in the south-west had a still more ambitious aim. Herr Steinkühler fought for—and won — unprecedented guarantees for his members against being replaced by labour-saving machinery and against finding themselves suddenly downgraded from skilled to unskilled job categories.

For the employers, it was a tactic to be resisted furiously in the other regions, which usually fall into line with whatever the industry settles on in Stuttgart. For Herr Steinkühler, the 1979 wage round is likely to be used as an opportunity to push a little further.

As well as costing the employers about DM 2bn (£520m), this spring stoppages cost IG-Metall members themselves dear.

Herr Steinkühler, himself a qualified master toolmaker, seems to have the knack of putting fight into the notoriously tight-fisted Swabians, however, by appealing to their self-respect as craftsmen more than to any abstruse socialist dogma.

As a deputy chairman of the Baden-Württemberg Social Democrats, he is firmly counted in the moderate camp.

In short, Herr Steinkühler is a German trade union leader in the mainstream tradition, even though he has taken it in new directions.

That may help to explain why, in works council elections at Daimler-Benz' big Untertuerkheim, his candidates narrowly avoided defeat by a strident ginger group.

Nor may it be a coincidence that under the new Mitbestimmung Act, Herr Steinkühler is now a member of the Daimler-Benz supervisory board—meaning that next year he will be negotiating against a management answerable to — among others — himself.

Such a position offers power to an ambitious union leader, but it carries commensurate risks of seeming remote from the shop-floor.

The Mitbestimmung Act, in full force since July, has brought an unaccustomed, and perhaps not wholly welcome, accolade to Herr Hesselbach.

With 11 seats on supervisory boards, he has established a record.

More than that, Herr Hesselbach has the singular distinction of being appointed to some of these posts by the employees and to others by the shareholders.

Confusing as that might sound both to capitalist and to socialist ideologues, Herr Hesselbach is probably as well equipped to breathe some life into the cumbersome and generally mistrusted Mitbestimmung arrangements as anyone could be.

The business empire over which he presides is dedicated to profitability, yet its earnings are passed ultimately back to the trade unions and used for such purposes as convalescent homes, training and youth centres and holiday resorts for union members.

After some 16 years at the head of the Bank Fuer Gemeinwirtschaft, the centrepiece of the unions' business interests, Herr Hesselbach stepped up in mid-1977 to be the executive chairman of the Beteiligungsgesellschaft fuer Gemeinwirtschaft, or BGAG.

Besides the bank, now in its own right West Germany's eighth-biggest, BGAG controls the Volksfuersorge Insurance group, the Neue Heimat Home Loans and Mortgage concern and several smaller publishing and data processing companies.

It is also a one-third shareholder, and supplier of most of the business acumen, to the struggling co-uperative retail chain.

BGAG, formed in order to bring all the unions' interests under one roof, has a turnover of some DM 3bn, and about 40,000 employees. In addition to dividends of DM 15.7m last year, it paid its parent unions around DM 50m more in interest on long-term loans.

In addition to his reputation as an organiser and builder of companies, Herr Hesselbach is also known for his discretion, so that it would be an understatement to say that BGAG keeps a low profile for a group of its size, financing most of its needs from its own resources.

Yet the figures speak for themselves. And Herr Hesselbach may well feel his group has little need of publicity when it can count among its presumably satisfied customers Chancellor Helmut Schmidt, who is buying his private house in Hamburg on a Neue Heimat mortgage.

J.C.

Eberhard von Kuenheim

Wilhelm Christians

## Eberhard von Kuenheim
## Wilhelm Christians

THE MOST striking thing about West German industry is the efficiency of its organisational structure. After all there is little point in having good managers if they are not provided with a framework in which they can operate effectively.

Second on the list comes the high quality of the leading executives, themselves. In the Federal Republic, the poorly organised, ill-led operations stick out like a sore thumb — for as long as they survive, that is.

The secret of Germany's industrial success is not that the people work harder than their European counterparts. They do not. However, the truth is that, in the main, they work very much more effectively—and for this thanks must go to management.

It is hard to describe German managers as though they are a separate breed. Attitudes and approach vary vastly. However, the majority of chief executives have one thing in common: a deep-seated, technical grounding in the industries they control. It is no accident, for instance, that the chiefs of the three main chemicals concerns are all scientists by profession or that the heads of the leading engineering concerns are usually engineers.

In this, Germany appears to differ considerably from Britain and the U.S., where there is a growing trend towards appointing men who are first and foremost professional managers to the chief executive slot. Both philosophies have their pros and cons, but as an American management consultant here said recently: "The German system eliminates much of the 'bullshit' factor. It makes it harder for people to fool the men at the top."

Typical of the men at the top of German industry are Herr Eberhard von Kuenheim, chief executive of Bayerische Motoren Werke, maker of the immensely successful BMW quality cars, and Professor Matthias Seefelder, chief executive of BASF, one of West Germany's "big three" chemical concerns.

Herr von Kuenheim, who has just turned 50, is a professional engineer with wide professional and management experience throughout the engineering industry. Professor Seefelder is a chemist by education—he has 113 patents to his name—who worked his way up from the laboratory to the chief executiveship.

BMW chief Kuenheim presides over one of the world's most impressive motor manufacturing operations. Since 1972 sales have almost trebled—rising from DM 2.3bn to DM 6bn a year. The achievement is all the more commendable when one considers that these figures are calculated in fast-appreciating D-marks and that, far from suffering, the technical excellence of the group's products has improved.

Born in East Prussia, now part of Poland, Herr von Kuenheim completed an education interrupted by the war at the well-known Bosch concern in Stuttgart and the city's technical high school, where he studied mechanical engineering. He received his diploma in engineering in 1950.

He started his career as an engineer operating in the administration and sales sector, at Themax Mueller machine tool concern in Hanover. Later he took over a senior technical post, specialising in the development of automated machine tools.

His step into senior management came in 1965 when he joined the Quandt Group—now BMW's largest shareholder—to work as technical advisor and on the co-ordination of various group activities. He rose quickly, his jobs including that of deputy chief executive of Industriewerke Karlsruhe, of which he is now chairman of the supervisory board. He took over as BMW's chief executive on January 1, 1970.

Professor Seefelder is the physical antithesis of the tall, blond and reserved Herr von Kuenheim. Dark, almost saturnine, and fast-moving, he is a typical southerner. His career also differs from Herr van Kuenheim in that he is a BASF man to the core. Born in Boos in 1920, he joined BASF's research unit immediately after receiving his doctorate in chemistry from Munich University in 1951. He has stayed with the group ever since.

Named to head the group's new dyestuffs laboratory in 1962, he was appointed director of the dyestuffs division in 1967. Deputy membership of the executive board came in 1971, when he was responsible for the dyestuffs, chemicals and dispersions group. He was appointed a full Board member in 1973 and chief executive in 1974.

Unlike Herr von Kuenheim, whose concerns are to keep close reins on runaway success, Professor Seefelder's industry is something of a problem child. Profits throughout the sector fell heavily in 1977 and have shown little recovery this year.

Sales stagnated at DM 21.15bn last year, hit by the low level of world economic activity, while earnings suffered as a result of the rising value of the D-mark against the currencies of group's competitors. Under Professor Seefelder's leadership the response has been fast. There will be increased investment in rationalisation, coupled with a complete about turn in the direction of BASF's capital investment policy. Investment overseas is to be stepped up substantially in contrast to the former philosophy of maintaining the federal republic as the prime investment target.

The achievements of both men are well recognised by their industries. Herr von Kuenheim is a member of many supervisory Boards and sits on the executive committees of the Bavarian Employers Federation and Automobile Industry Association. He has been president of the Association of Bavarian Industry since 1977. Professor Seefelder, who is president of the West German Chemicals Manufacturers' Association, is an honorary professor of Heidelberg University and a senator of the famous Max-Planck Society. Though their problems may not be the same, the men are only different sides of the same industrial coin.

Guy Hawtin

## Karl Otto Pöhl
## Matthias Seefelder

THERE ARE few people in the business world who have not heard of the Bundesbank and the Deutsche Bank—although some have been known to confuse the two. The Bundesbank is arguably one of the most politically independent central banks in the world, and the Deutsche Bank is the doyen of West Germany's commercial banking sector.

It is curious, perhaps, that among the leadership of these, the country's most powerful institutions, should be two men who initially chose careers far removed from banking. Dr. F. Wilhelm Christians, joint chief executive of the Deutsche Bank, was set for the diplomatic service, while Herr Karl Otto Pöhl, deputy governor of the Bundesbank, served a long apprenticeship as an economics journalist in Bonn.

Dr. Christians, who urbanely shares the role of joint executive board spokesman for the bank with overseas specialist Dr. Wilfried Guth, is one of West Germany's leading experts on the domestic and international stock markets. However, when he joined the bank in 1949, he regarded it as preparation for training for the diplomatic service.

Banking must have been in his blood for in 1951 he became a full member of the bank's staff. The diplomatic services loss has been the banking industry's gain. He has established a name not only as a top banker but as one of the West German financial world's most important ambassadors.

Although he is primarily responsible for the Deutsche Bank's securities trading and its domestic business, Dr. Christians has been very active in strengthening West Germany's international trade links—negotiating major financial contracts between many of the Federal Republic's leading companies and their counterparts in foreign countries.

Like many of the country's leading businessmen, Dr. Christians has built his career in the concern with which he started. Now in his mid-fifties, he studied law and political science—not a typical banker's subjects, perhaps—and then embarked on learning the banking business from the bottom to the top.

He was marked as a "high-flier" early on. Starting out in branch banking, it was not long before he had his first managerial appointment. Later he transferred to the bank's Dusseldorf central office and in 1963 was appointed assistant general manager with responsibility for the securities business. In the spring of 1965, he was appointed a deputy member of the executive board and was elected to full membership in 1967.

Dr. Christians, who was elected president of the Association of German Banks in March, 1975, is vice-president of the Dusseldorf-based Rhineland-Westphalia Stock Exchange. He is also a member of the board of EBIC—European Banks International—in which the Deutsche Bank co-operates with six other leading European banks.

Typically of many top West German bankers, Dr. Christians takes an active interest in industry. He serves on the supervisory boards of many of the Federal Republic's leading companies, including Bayer, Karstadt, Klöckner-Humboldt-Deutz and Volkswagen, and chairs the supervisory boards of Mannesmann, Otto Wolf and the Rheinisch-Westfälisches Electrizitätswerk.

Matthias Seefelder

Karl Otto Pöhl

Herr Pöhl is also no stereotype. He joined the Bundesbank in the spring of last year after a career which took him from the academic world to journalism, banking and Government service. Today he is the second-most important man at a central bank whose independence is renowned, and is widely tipped as a successor to Dr. Otmar Emminger, the bank's ebullient Governor.

Born in Hanover late in 1929, Herr Pöhl is one of that rare breed of economists who have had experience of all aspects of their profession—academic, analyst, critic and man of action. He studied at the University of Göttingen, graduating in 1955.

Until 1960 he worked as divisional head at the respected Ifo institute for economic research in Munich—valuable experience for any man going into government service. In 1961, his career took a change of direction when he moved as an economic journalist to Bonn, where he swiftly built a formidable reputation. This led in 1968 to his appointment to the executive of the Association of German Banks in Cologne.

The move into public service came in 1970 when he became head of division in the federal Ministry of Economics. Promotion was fast. He became a departmental chief in the federal Chancellery in 1971, heading the economic and financial policy division. There then followed 4½ years as Secretary of State at the Ministry of Finance.

As Secretary of State, Herr Pöhl was an unqualified success in a field fraught with dangers. He was the Government's expert on monetary policy—both national and international—as well as basic issues of foreign policy. Even the Government's critics acknowledged his abilities when it came to his handling of the financing of the Government's budget deficits. His appointment to the Bundesbank in May, 1977, brought the central bank a rare blend of experience and expertise.

G.H.

## Otto Lambsdorff
## Hans Matthöfer

COUNT OTTO LAMBSDORFF, Economics Minister, and Herr Hans Matthöfer, Finance Minister, have two things in common. Both are experienced Bonn hands who are relatively new to ministerial office, and both must be considered candidates for even higher positions. Beyond that, they make for a study in contrasts.

When Count Lambsdorff moved into the economics ministry on the outskirts of the capital last October, he did so with the easy air of one who has decided to take up personal supervision of a country estate. There was no sign of surprise that the job had come his way, nor of concern that he might not measure up to it. The main initial problem seemed to be for ministerial aides not used to being up at the crack of dawn. For Count Lambsdorff is a notoriously early riser, who seems to be through as much work by breakfast time as most people manage by lunch.

There was no real reason why the Economics Ministry should have held terrors for Otto Friedrich Wilhelm von der Wenge to give him his full name. For years he had served as economics spokesman for the parliamentary group of the Liberal Free Democrat Party (FDP), junior partner in the Bonn coalition Government. The political opposition had long experienced—but hardly become used to—his ironic onslaughts in the Bundestag. When Count Lambsdorff's party colleague, Dr. Hans Friderichs, resigned as Economics Minister to take up the leadership of the Dresdner Bank, there was really only one person in the running as successor.

Not only the opposition has been on the receiving end of Count Lambsdorff's barbs. No less than Dr. Friderichs he is a supporter of the free market economy and a fierce opponent of those who see state intervention as a cure-all for West Germany's structural woes. That puts him at odds with some in his own party as well as with the left of the senior coalition partner, The Social Democrats (SPD). Unlike Dr. Friderichs he had long, practical experience in the private sector before he took up politics. After the war (during which he lost a leg fighting on the Eastern Front) he studied law, later moving to banking—first to the Commerz, then to Bankhaus Trinkaus in Düsseldorf. He entered the Bundestag in 1972, became FDP economics spokesman and quickly made a name for himself. He started late in politics—he is now 51—but he moved fast once he was in.

It would be idle to suggest either that he exudes an aura of warmth or that his speeches always have a mass appeal. But it would be just as idle to deny that he is the clear crown prince in the FDP to the party chairman and Foreign Minister, Herr Hans Dietrich Genscher. Count Lambsdorff is not inclined to suffer fools gladly, often raps out the answers to questions which have not been fully framed and tends to fiddle with a paper knife when is is getting bored, a sign that his interlocutor had best retire.

He would no doubt move to higher rank with the same ease with which he came to his present post or—if needs be—back to the private sector where, as he notes pragmatically, he would be paid a bigger salary.

Herr Matthöfer came to the Finance Ministry in February less from a sense of conviction than of duty. He spent a long time giving Chancellor Helmut Schmidt all the reasons why he should not take up the post—then, having received his marching orders, departed like an honest trooper for the front.

Since then he has been under constant fire but, somewhat to the surprise of his critics, no one has so far scored a direct hit. Herr Matthöfer would be the first to agree that the workings of the capital market, let alone the almost unfathomable mysteries of the international monetary scene, have never been a major source of fascination to him. His life has been dominated by the search for a solution to blunter, more practical problems (which has not stopped him learning English, French, Spanish and Russian and choosing Proust as his preferred author).

Count Otto Lambsdorff

Hans Matthöfer

Those problems included the need to improve the lot of the foreign workers in West Germany and to strengthen the position of left-wing minorities under right-wing dictatorships abroad, notably in Franco's Spain. His reference to the successors of President Salvador Allende of Chile as "a band of murderers" was neither the first, nor the last, to disturb some of his colleagues inclined to a more diplomatic turn of phrase.

He was born in September, 1925, in Bochum in the Ruhr area, the son of a foundry worker who suffered liquid iron spilt on his foot and who was jobless for seven years. Hans worked first in a steelworks in his home town, was called up during the war at age 17 and afterwards moved strongly to the political Left as the most likely guarantee, in his view, of avoiding a further national catastrophe.

In Frankfurt he headed the Socialist Students Organisation, founded a leftist paper—then spent two semesters studying in the U.S., at Madison, Wisconsin. Economics work later took him again to the U.S., this time to Washington, and also to Paris. Before and after these foreign trips he worked for the Metalworkers Union, IG Metall, building up its scheme for employee education.

His parliamentary career, which began in 1961, was marked among other things by his battle for additional holidays for workers who wanted more education opportunities and for worker co-determination in industry. In 1972, under Chancellor Willy Brandt, he became Parliamentary State Secretary at the Technology Ministry, moved up two years later to become Minister—and reluctantly ceded that post in February for the finance job.

Asked a rather lengthy question recently about how he, a trade unionist, left-winger, critic of right-wing regimes and advocate of a state role in the economy, could co-exist with an Economics Minister who was a former banker, a free-marketeer and count combined, Herr Matthöfer answered simply "splendidly." This may be a slight exaggeration. But Herr Matthöfer clearly has a highly developed sense of duty—and if he has a job to do he will get on with it, whatever the circumstances. He would surely be the preferred choice of the left of the SPD as successor if and when Chancellor Schmidt stepped down. Whether that would make him Chancellor is another matter.

J.C.

## Hermann Fredersdorf

HERMANN Fredersdorf looks more like the embodiment of the West German system which, like the man, has this year been shaken to its foundations.

In fact, he is both. The 54-year-old chairman of the National Federation of Tax Officials has, within the space of the past 12 months, made himself a national reputation at the head of a wave of indignation at the tax structure itself.

It is no exaggeration to say that Herr Fredersdorf has given the major political parties a worse scare than anything they can recently recall.

The emergence of his movement for a fairer tax system into the limelight has coincided with the surprising success at the polls of the so-called "green" parties, mostly linked to environmental issues.

Herr Fredersdorf has publicly toyed with the idea of joining forces with them when, as he promises, a fully-pledged taxpayers' party is founded, next May.

Yet his appeal seems to meet a much more keenly-felt and far broader sense of outrage even than the environmentalists, and it appears likely that he, or his successors, will be around long after they have passed from the political scene.

The embarrassing part of it for the politicians is that, as a lifelong civil servant, Herr Fredersdorf knows far more than most people about the Byzantine complexities of the German tax system.

As a long-time trade union leader and also a participant in Social Democratic Party deliberations on tax matters, he also has plenty of experience of the political process, and quite a few successes as a lobbyist behind him.

Disillusionment with the status quo set in with the present coalition which, by his count, has in nine years passed 306 tax acts, 273 administrative decrees and 1,246 sets of guidelines.

Bonn, Herr Fredersdorf feels, is incorrigible, with yet another opportunity to simplify the tax structure for officials and taxpayers alike now passed up with the Government's post-summit package of cuts and adjustments.

There seems little doubt that hundreds of thousands of his fellow-citizens fully share this articulate—yet very average—German's sense of injury at the tax system.

Yet Herr Fredersdorf is no Pierre Poujade or Mogens Glistrup, promising what he refers to disparagingly as "Utopias."

His party will not campaign to do away with tax but to simplify it and, naturally, to reduce the burden.

Aside from that, he is in favour of that whole complex of unexceptionable goals that in American politics is summed up as motherhood and apple pie.

Unsophisticated? Perhaps. Simplistic? Undoubtedly.

But the message has already found a tremendous response. Herr Fredersdorf's modest office in his union's small Dusseldorf headquarters receives floods of mail and of offers to help.

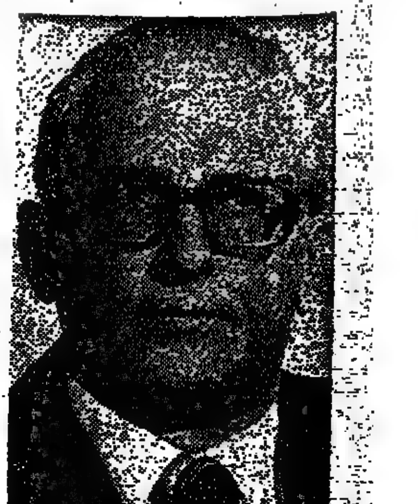
Herr Fredersdorf, once described by former Finance Minister Hans Apel as "a tax inspector running wild," has set himself the goal of at least 25 seats in the Bundestag in 1980, and under the West German split voting system, will get them if his candidates can win 5 per cent of the popular vote.

That is a possibility that the parties can no longer afford to ignore.

If any further proof were needed of Herr Fredersdorf's impact, it lies in the earnest and occasionally alarmed manner in which virtually every major politician in sight is now anxiously trying to present himself as a lifelong tax reformer.

Herr Fredersdorf is not impressed by any of them.

J.C.



Hermann Fredersdorf

# EMPLOYMENT

## Problems remain

THE LATEST West German employment figures, published earlier this month and covering September, brought the first good news from the labour market in a couple of years. The number of people out of work fell by almost 60,000 to a new level of 864,000, bringing the unemployment rate down from 4 to 3.8 per cent. A single month's figures are never, of course, enough to lead to firm conclusions, while with the onset of autumn some weather-related and other seasonal loss of jobs will no doubt weigh heavily on the negative side once again. All the same, there is no mistaking the relief in West German political circles, that it has become safe for Count Otto Lambsdorff, the Economics Minister, to predict that the monthly average unemployment level for 1978 will be under the 1m mark again for the first time since 1973.

Pleasing though this is, however, the roots of the West German unemployment problem have now become too well understood for anyone to claim a turning point has been reached. The economy has had its ups and downs since recession hit it in the wake of the 1973-74 oil price increase. Unemployment has, disappointingly, shown scarcely any response. The moderate pick-up in the level of activity that made itself felt during the third quarter of this year, most experts would agree, is nowhere near strong enough yet to bring the jobless total significantly down towards the elusive goal of full employment.

There is no more agreement among West German politicians and economists about what now constitutes full employment than there is in other industrial countries. In the late 1960s Professor Karl Schiller, then Economics Minister, was able to define full employment as a jobless rate of 0.8 per cent—a figure that was, indeed, attained under the boom conditions of the day. More recently Dr. Arthur Krumper of the IFO Institute for Economic Research told a symposium in June that a more realistic figure might now be 2-2.5 per cent, implying a total of about 500,000 unemployed people. He went on, however, to warn that the goal of full employment through growth could probably not be achieved unless a sustained annual real growth rate of at least 5 per cent could be reached. At real GNP growth rates of even 4 per cent (a not unambitious goal compared to the 1.5 per cent average between 1974 and 1978), Dr. Krumper concluded that unemployment would continue to rise.

Such predictions are not likely to convince those who still believe that West Germany can spend its way to growth and hence to higher employment. In addition to some British and American Treasury officials, a good many German trade union leaders and even a few of Chancellor Helmut Schmidt's fellow Social Democrats in the cabinet continue to argue the point. If there is no agreement on the solution, however, there is at least a wide area of common ground in defining the unemployment problem as a structural, at least as much as a cyclical one. That is the premise on which most of the SPD-FDP coalition's policies towards the labour market have been based.

The September figures suggest, not for the first time, that stepped-up vocational training programmes both at school and in industrial training establishments are at last beginning to have some impact on the rate of unemployment among young people. It is particularly encouraging that the numbers of young people out of work should have dropped since September last year, since in addition to the normal seasonal crowd of school-leavers looking for their first jobs, this year has seen the beginning of the long-awaited demographic rise in the working-age population. Between now and the late 1980s, over 1m more people will be entering than leaving the West German labour market, thanks to a post-war "baby boom" that was later than in most other European countries.

In the next few years, as this suggests, the inflow of young people into the job market will accelerate. Yet strenuous efforts are being made to increase the vocational training places available. The total rose by 12 per cent to some 560,000 from 1976 to 1977; this year it should rise by nearly 17 per cent more. Within this figure, there is intended to be a disproportionate increase in places for girls, traditionally disadvantaged in vocational training.

Some progress has also been reported, though it shows up less clearly in the employment statistics, in the efforts of the authorities to find jobs for people in the other principal problem categories—the handicapped, older unemployed people and the one-third or more of unemployed women who want part-time work. At the end of September the Minister of Labour, Herr Herbert Ehrenberg, and the head of the autonomous Federal Labour Office, Herr Josef Stingl, pledged a new joint effort to improve the job counselling and placement services of the labour offices and to put them into closer touch with employers.

At the same time the Bonn government has been looking for ways to improve labour mobility, as part of an attempt to grapple with the major short-term anomaly of the labour market — the growing local shortages for skilled workers in such industries as motor manufacturing and construction, where conditions have been booming for a year or more. It has not proved easy even with generous subsidies and incentives to get German workers to move house. Many reason that, having been laid off once, they could pull up their roots to take a new job and perhaps buy a new house, only to find themselves laid off a second time. Others are reluctant to disturb their children's education by switching from one federal state to another. Young people themselves seem relatively unwilling to move away from home and friends, a fact that may help to explain why, at the beginning of this month, fully 50,000 vocational training programme places remained unfilled, with 15,000 of them in the flourishing building and construction sector alone.

However, all these measures to make the labour market and the unemployment office system work better are, in the view of such economists as Dr. Krumper, only scratching at the surface of the longer-term problem, which is one of over-supply of labour. Companies interviewed by an independent study commissioned by Herr Ehrenberg's department reported that they have on average, and irrespective of cyclical changes, reduced their workforces by 5 per cent since 1973, while also refining them by raising the proportion of qualified or trained employees. Few expect this trend to be reversed, given the wariness of German business about the longer-term outlook for profits and its consequent reluctance to undertake investment that would add to the labour force. One suggested solution is that the Government should — as it has indeed started to do—foster research, innovation and the formation of new companies. But an unavoidable corollary, in the IFO view, is that the number of people competing for jobs should be reduced.

Longer average schooling with improved career training, earlier optional retirement and a shortened working week are among the more realistic steps that are being debated. Each is surrounded by difficulties, which tend to reduce to the hard fact that they are all expensive. In its package of stimulatory measures currently before the Bundestag, the Government has proposed longer maternity leave and also a lower voluntary retirement age for handicapped people, two steps that will be difficult and costly enough. A much more controversial topic this autumn may be the steelworkers' wage contract talks in the Ruhr, where a reduction in the working week to 35 from 40 hours is on the list of union demands. Without a corresponding cut in wages, the employers are likely to argue that they stand to gain little from reshuffling schedules so as to take on a few more men now unemployed, but who would also bring with them high social security and related costs.

The Labour Ministry's study found that, contrary to popular belief, fewer than 10 per cent of the unemployed are actually unwilling to work at all or are deliberately exploiting West Germany's generous first-year unemployment benefits. There remain, nonetheless, the jobs no-one wants, in such sectors as catering and public services, and for which Germany, in common with other rich countries, remains heavily dependent on foreign "guest" workers. Long-term unemployment seems to have had little effect in terms of directing jobless Germans into these occupations. Among the countries which have supplied most of the 2m-plus foreign workers now in Germany, only Italy is unaffected by the ban on new entry in force for the past three years. Yet West Germany has formidable problems in absorbing the foreigners already here, such as fitting into its labour market about 110,000 teenagers unable to get vocational training places because they cannot speak good enough German. When the European Community is enlarged to include Greece, Spain and Portugal, as Bonn itself is committed to achieving, hundreds of thousands more people are likely to flock towards the world's highest wage rates.

**A.D.**



# COMPETITION

## Defending the small man

A PROGRESSIVE "regimentation" and "de-liberalisation," said Herr Wolfgang Kartte recently, were the greatest dangers facing the market economy. Herr Kartte, the formidable President of the formidable Federal Cartel Office, was no doubt aiming his dart at Count Davignon's sect of heretics in Brussels. In Germany "Competition über Alles" remains second only to the national anthem.

But national anthems have a tendency of becoming a matter of lip service rather than of the heart. The circuit undertaken recently by Herr Kartte and other officials of the Cartel Office, holding court in several regional centres of Germany in order to assure small and medium-size entrepreneurs that the Cartel Office is their best friend, suggests that like Faust, Herr Kartte also knows the suffering caused by the co-existence of two souls in one man's breast. His anti-trust soul has now been joined by a second, albeit smaller, pro-trust one. It is all part of the process of growing out of a purely legalistic attitude to a more pragmatic one. Instead of seeing its task solely in contesting cartels and other restrictive practices, the Cartel Office now puts greater emphasis on those provisions of the law which enable small and medium-size entrepreneurs to join forces in order to resist the competition of the large groups. Cartels concluded between the not-so-big are being assured of benevolent scrutiny by the Cartel Office.

The larger anti-trust soul of Herr Kartte has now turned all its ardour towards preventing the big becoming still bigger. This objective should be easier to achieve after the fourth revision of the German Competition Act has been passed by Bonn legislature, which is now expected soon.

While waiting for the bill to be passed the hand of the Cartel Office has been considerably fortified by two court decisions. One was made by the Bundesgerichtshof (BGH) Supreme Court in February with the prohibition of the acquisition of Sachs, the leading German motor component maker, by Guest Keen and Nettlefold, the leading British engineering group. The other decision was made by the Berlin Kammergericht (KG) (Appeal Court) on August 24, 1978, ordering Hoffman La Roche to reduce its price for valium and librium. In its GKN/Sachs judgment the BGH swept away two fundamental assumptions on which its previous decisions in anti-trust matters were based. These were that in a free market economy, entrepreneurial and managerial decisions should be interfered with only if government and courts are specifically authorised by statute to intervene and that, being based on innovation, the development of competition is unpredictable. Instead, the BGH established a new doctrine of "typical behaviour." It said that, though unpredictable, the behaviour of businessmen follows certain stereotypes which make prognosis possible. And the Cartel Office is, according to the judgment, entitled to take into account not only immediate but also future changes in the conditions of competition which are seen as highly probable consequences of a proposed merger. The BGH further underlined that merger control is not concerned directly with behaviour, present or future, of dominant enterprises, but with structural changes which, by the disappearance of one of the competitors or the reinforcement of another for example, create preconditions for future changes in competition in a given market.

What really matters, said the Karlsruhe judges, is that GKN's financial power, together with the fact that 40 per cent of its turnover is in markets close to the clutch market in which Sachs is dominant, would frighten off any existing or potential competitors to Sachs.

The reasoning, with its emphasis on the psychological effect on competitors, follows the decision of the U.S. Supreme Court on Procter and Gamble's proposed acquisition of Chlorox, when it ruled that the Federal Trade Commission, opposing the deal, had no need to prove that the superior resources of the acquirer would be deployed to reinforce the position of the acquired enterprise.

This emphasis on the deterrent effect, combined with the green light to try to assess the distant future when considering consequences of a proposed merger and to take into account the interlocking effect on unrelated but not-too-distant markets within a conglomerate group—all this will increase the power of the Federal Cartel Office not only to stop conglomerate mergers of large companies but also to proceed with new vigour when combatting abuses of market power and restrictive practices of all sorts.

The KG decision that Roche must reduce its prices of valium and librium by 24 per cent by not later than December 7 1978 helps the Cartel Office in a less direct way. The Cartel Office vindicated its original decision that there was an abuse of dominant position after a litigation which lasted four years—the case was before the KG for the second time, having been returned for additional fact finding by the BGH. The importance of the Cartel office in stopping such abuses of market power has now been clearly demonstrated. But after all this time Roche can again appeal to the BGH and thus postpone the decision being put into effect for at least another year.

The Cartel Office can use this now as an argument in support of its demand that the revision of the Competition Act should enable certain injunctions to be immediately effective. The bill submitted to Bundestag in May, 1978 does indeed provide for immediate legal force of orders designed to stop abuse of dominant market position. Moreover it proposes to widen the liability of the offending enterprise towards private parties which suffered loss through its behaviour, and provide for depriving the offending enterprise of profits gained by infringements of competition law.

In addition to abuses of market power, the main changes introduced by the bill concern merger control, discrimination, price recommendations, export cartels, and the application of the competition rules to the activities of banks, insurance companies and food supply.

Aiming against conglomerate mergers the revision would introduce assumptions of market dominance which would make it more difficult for large enterprises to penetrate and gain dominance in markets mainly consisting of medium size and small enterprises.

In particular, the newly added section 23a creates a statutory assumption of paramount market position or of its reinforcement whenever an enterprise which had in the last business period a turnover of at least DM 2bn merges with another which *either* is active on a market in which small or middle-size enterprises hold a share of at least two thirds and the merging enterprises at least a share of 5 per cent *or* is market dominant on one or several markets which in the last calendar year reached an aggregate turnover of at least DM 100m.

The other statutory assumption of market paramount position or its reinforcement concerns situations when the merging enterprises totalled a turnover of at least DM 10bn and two of the enterprises participating in the merger reached turnovers of at least DM 1bn each.

Further provisions provide statutory assumptions of market dominance for enterprises which are leading on a market, forming an oligopoly with an aggregate market share of 50 per cent. Merger control would be also applied to the acquisition of small and medium-sized enterprises so far excluded from such control.

The bill proposes also that provisions aimed against restrictive practices should be applied also to export cartels in which an enterprise with a seat in Germany participates, and to banks and insurance companies. These will be obliged to notify restrictive agreements. But there is an escape clause: Should no agreement be reached between the Cartel Office and the Banking Office concerning such restrictive practices, these could still be allowed by the Minister of Economics.

**A. H. Hermann**

## TRADES UNIONS

# Looking for a new solution

THE WEST GERMAN version of the social contract, which has been coming in for a good deal of admiring interest in Britain this year, is under unprecedented strain at home—so much so, that trade union leaders, officials of employers' organisations and ministers have all been wondering aloud whether it can survive without far-reaching change. The trades unions, in particular, appear to face problems that can no longer be approached through the singularly West German combination of legal formality, mixed with behind-the-scenes accommodation, that has given the Federal Republic nearly three decades of enviable industrial peace.

Two broad issues are uppermost among the German trade unions' concerns. One is, how to reconcile their members' expectations of a steadily increasing standard of living with unemployment still stubbornly at the 1m level, and with the uncomfortable fact that this standard of living, coupled with the rising Deutschemark, has made German workers increasingly unattractive to employers compared to the alternative—machines. The second theme arises from the unions' pursuit over many years of a more elusive goal, that of real social parity for working people, now that enactment of the 1976 workers' co-determination (Mitbestimmung) Act has been followed by widespread and sometimes bitter disappointment.

Until a year ago, machinery in which such questions might have been discussed was available in the form of the "concerted action" meetings held two or three times a year with employers' leaders, ministers, the president of the Bundesbank and other representatives of the economic establishment. The meetings had the primary purpose of getting agreement on the medium-term economic outlook, from which could be further decided how much scope would exist for wage and price increases. The unions came to feel, however, that the concerted action meetings had become stacked against them, with an increasing number of institutions represented who had little directly to do with industrial relations. In July, 1977, the Deutsche Gewerkschaftsbund (DGB), the umbrella body comparable to the British Trades Union Congress, declined to attend further concerted action meetings. Although its immediate pretext was the employers' constitutional court lawsuit challenging the Mitbestimmung Act, years of pent-up frustration found expression in the boycott.

Since then Count Otto Lambsdorff, the Free Democrat Minister of Economics, who is no favourite of the unions, has tried hard but without success to reconvene the meetings. There have been some personal contacts between the DGB chairman, Herr Heinz-Oskar Vetter, and his opposite number at the Bundesvereinigung der Deutschen Arbeitgeberverbande (BDA), employers' federation, Herr Otto Esser, with agreement jointly to study unemployment. Yet Herr Esser has made clear that the lawsuit, testing the Mitbestimmung Act's bearing on the constitutional right to private property, will be pursued up to a judgment—leaving no choice to the DGB and its affiliated unions but to stay away from the concerted action forum.

In forming this year's wage settlements, the collapse of the concerted action mechanism seems, admittedly, to have made little difference. In June, the last month for which figures are available, actual monthly incomes were running only 5.5 per cent higher than a year previously—the precise percentage set as the Government's maximum estimate of what the economy could afford this year. Yet this result was achieved at the cost of a long and highly damaging series of stoppages in the south-west German metalworking and engineering industry, which in turn helped effectively to stunt real gross national product growth for the whole first quarter of the year.

It can be argued that the excessively rational, almost sanitised atmosphere of German industrial relations needs a good, hard-fought strike from time to time in order to bring to the surface, and then to resolve, the real anger and sense of mistrust that are often hidden behind the dry terms of the public bargaining process. Few would make that case for this spring's stoppages in the metalworking industry or, for that matter, those in the newspaper industry. The disputes brought out a good deal of bitterness and raised matters of deep concern. But they have provided more questions than answers.

*Trades union leaders Heinz Kluncker (left), Eugen Loderer (centre) and Franz Steinkühler join striking metal workers in Stuttgart in March*

The south-west metal strike saw the regional employers (who include Daimler-Benz, Robert Bosch and other industrial majors) ranged against the biggest West German union, Industriegewerkschaft - Metal, led by its able Stuttgart area boss, Herr Franz Steinkühler. Although the ostensible issue was pay, both sides were much more interested in IG-Metall's insistence that the new contract must include clauses protecting workers both from losing their jobs to labour-saving machinery and from being downgraded in the process from skilled to unskilled pay scales. Herr Steinkühler won his point, to the consternation of employers in every industry, but at a heavy cost.

Both in the metal industry strike and in the newspaper strike, which also turned on the job security of skilled men in the face of automation, the employers reacted aggressively—they would say defensively—by widespread use of the lock-out. This tactic, used in retaliation against selective strikes on the part of the unions, has become the occasion for an expression of deep mutual antagonism that surprised many who had assumed that the German unions had become too comfortable to fight. IG-Metall and the printers' union, IG-Druck, have each helped members to bring literally tens of thousands of lawsuits against employers who locked them out last spring. Unions and employers have each won some cases in the lower labour courts, and both are eager to press on to the appeal stages.

Beyond that, the unions have found a few sympathetic ears in Chancellor Helmut Schmidt's Social Democratic Party for their outraged claim that the lock-out, affecting union and non-union workers alike, is offensive and unconstitutional. The employers, on the other hand, seem prepared to fight to the last for their strongly-held view that it is a symmetrical weapon to the right to strike, and that without it, they would be at the mercy of over-mighty unions able to dictate their own terms.

A few years ago it might have been possible to dismiss all this as rhetoric. What is different now is that each side appears fully to mean what it says when it speaks of the other in terms of a return to class struggle and to the attitudes of the past. This worrying degree of mutual mistrust can be seen even more clearly in the *Mitbestimmung* arena. The unions are disappointed that the 1976 Act, fully in force since July 1, has not given them either complete parity or the final say over who sits on the (numerically equal) supervisory board on the employees' side of the table. Their leaders have darkly suggested that many companies will somehow try to cheat. Herr Veter has objected to having to win union rights through the courts and has urged workers to fight for real co-determination at the bargaining table.

## Defensive

Managements, for their part, have in many cases entered the new era with a deeply defensive attitude. Some fear that union-appointed members of the newly constituted supervisory boards will leak confidential financial information. Others refer to what is supposed to be a forum for jointly planning the future, as a sort of adversary proceeding composed of warring factions. Such ideas from both unions and managements, do little credit to what German industrial relations has actually achieved in the past 30 years.

What accounts for the bad blood between the two sides of industry? Will it pass now that the economic outlook is once again brighter?

It is clear enough why German companies should feel they have their backs to the wall. What they regard as new encroachment by the unions comes after several bad financial years for most, apart from the motor industry, and at a time when German wage costs are unarguably the world's highest. They deeply fear being prevented from undertaking further investment that would raise the productivity of these expensive employees, and in the process inevitably do away with many of their jobs.

If it were left to the old-fashioned style of negotiating, between top union leaders and employers' chiefs, rational solutions might not be too hard to find. Union leaders make as many speeches deploring Luddism, and appealing for German competitivity to be protected, as do businessmen. The union leaders themselves, however, are nowadays men under a lot of pressure from below, challenged both by the new breed of university-educated intellectuals who have made careers in trade union administration, and by plain discontent on the shop-floor. The near-defeat of IG-Metall candidates in works council elections at the Daimler-Benz factory at Untertürkheim, near Stuttgart, by a dissident group of ex-members was only the most dramatic of a series of similar outbursts of impatience by workers who feel their leaders are often too close to the employers.

As the debate mounts over how to reconcile job security with technological advance, and how to reduce unemployment and protect living standards at the same time, the unions seem to feel themselves rather isolated. As Herr Vetter has made clear in recent speeches both on *Mitbestimmung* and on the tax cut package currently before Parliament, the union movement is thoroughly fed up with the Social Democrats, its traditional political ally. Looking for new solutions that make economic sense, and at the same time carrying the rank and file with them, are tasks that will weigh heavily on the unions' veteran leaders.

**A.D.**

## THE STOCK MARKET

# Steady rise in prices

GERMAN SHARE indices have been climbing steadily since May after a long, slack period of more or less sideways movement. The last substantial bull market, which took shares up by over 50 per cent between the beginning of 1975 and March, 1976, petered out as the German economy proved itself unable to pull more than half-way out of recession. It has taken more than two years to gather the momentum for a further significant advance.

The market's present strength, which originated from technical factors, is being sustained by an improvement in the fundamental position of the economy. Buying interest earlier this year very largely stemmed from the German Government's tax reforms, which did away with the corporate tax differential between retained and distributed profits and allowed the shareholder to offset all the advance corporation tax paid on his dividend against federal income-tax.

This has been hard on the foreign investor, who pays no federal income-tax in the first place, as companies have been able to cut their cash dividends while still greatly increasing the total payout to their German shareholders. Everyone loves a tax concession, not least the insurance companies, who came back to the equity market in force.

Both institutions and private buyers began to commit new funds to shares but there was also some switching out of bonds, particularly as it seemed that scope for capital gains was limited as interest rates have little room to fall further. In the early summer the Bundesbank, which acts as the Government broker in the bond market and intervenes actively in both directions to maintain stability was buying in bonds on a massive scale. More recently the bond market has settled down and a more usual relationship between the flow of cash into equities and fixed-interest stocks has been re-established, allowing the Bundesbank to sell around DM30m of bonds every day.

Over the last few months the outlook for the German economy has perceptibly brightened. Output is rising, order books are fuller than for years, growth is speeding up. On top of this there has been a clear improvement in industrial profitability, shown to good advantage in the giant chemical firms BASF, Bayer and Hoechst which, as well as providing a barometer of the general health of German industry have a weighting of 13 per cent in the FAZ stock index. These trends have underpinned the existing advance in equities and given the market fundamental strength.

Curiously enough, the blue chip stocks have not made the running in the present bull phase. Investors were piling into some second line stocks with relatively high yields to take full advantage of the tax concessions, but in some cases there was frankly speculative demand for recovery shares that either hardly earned their dividend or paid none at all. The institutions seemed to be becoming more daring.

Thus in the heavily traded department store sector shares like Horten and Neckermann outperformed the higher-rated Karstadt and Kaufhof, while the construction sector, formidably depressed for several years now, has also recovered strongly in anticipation of higher consumer spending. Meanwhile industrials such as Siemens and Mannesmann have been relatively lagging behind. One of the reasons for the widely-held belief that the market still has a long way to go is precisely that the shares with the heaviest index weightings have so far underperformed. The German markets are dominated by the banks, which act as brokers and principals, not being prevented from holding substantial equity stakes in non-financial companies. There are signs that the banks are putting their clients back into major industrials, while foreign demand, particularly from Arab institutions, for German blue chip shares as an alternative to D-mark foreign bonds has been growing. Institutional liquidity is still very high in Germany itself.

The German stock markets have a strange love/hate relationship with the D-mark. Sharp falls in the dollar late last year and early this year often led to a downward reaction in shares on the argument that German export competitiveness was in peril. It is interesting to note that the Swiss bourses have been quite unable to shrug off the—admittedly much more dramatic—rise in the Swiss franc, while in Japan export-oriented shares have been under a cloud during the Tokyo Stock Exchange's long bull market. In Germany, however, dollar-induced drops in the market have not lasted long this year: for one thing, as mentioned above, shares have become a haven for money fleeing from the dollar; after all, Bayer is yielding 6.5 per cent, as much or more than a 10-year German government bond. Also, however much German exporters may complain—and they have been complaining for 15 years—the fall of raw material prices in D-mark terms has enabled margins on export sales to be largely preserved in a number of cases.

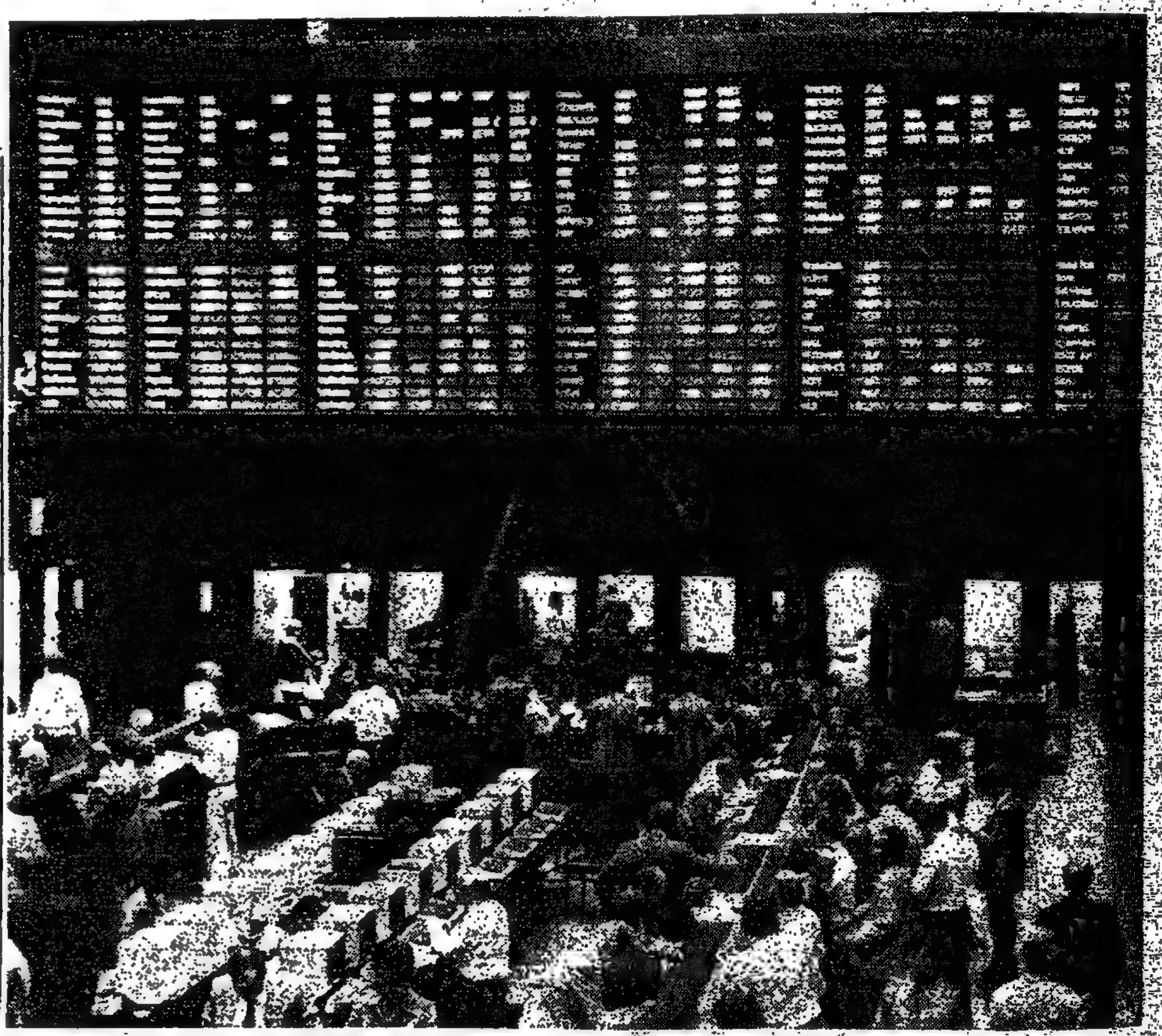
There was a reverse speculative flight from Frankfurt to Wall Street in the second quarter of this year but a good deal of money appears to have returned. Most recently the market's confidence has been enormously helped by the DM8bn deal with China to modernise the country's coal industry. This has been taken as conclusive proof that German industry—or at least a major part of it—remains internationally competitive on the widest scale despite the weakness of the dollar. The persistently high trade surplus is a monthly reminder of this. The market is anxious that the *dollar/mark* rate should be stable rather than wildly fluctuating, but it does not seem to be unduly worried by the present level of around DM1.90 for the dollar.

Another example of the market's ability to firm in the face of bad news is its tolerance of the excessive money stock expansion which largely results from the Bundesbank's selling of D-marks to the banking system in exchange for dollars. Experience has recently shown that the overshooting of the central bank money stock target has not fed through into consumer credit expansion, and the market prefers to be reassured by the retail price index than frightened by the money supply. There is some feeling that interest rates may rise early next year if industrial demand for funds increases. This would cause a little difficulty in the bond market but it is conceivable that faster GNP growth could lead to some reduction of the public sector 1979 deficit from the expected DM 60bn or so and lower the Government's funding requirement.

The outlook for the German equity market looks excellent then, unless the gradual recovery in economic growth that seems to be under way in Germany is in some way aborted. For the bond market the *medium-term prospects* are not so clear, particularly considering the vast expansion of borrowing by the German Government and by fund-raisers in D-mark-denominated Eurobonds, but the domestic market will presumably be supported by the Bundesbank if necessary.

A visitor to Frankfurt may go to the Bourse at one o'clock and sit at the back of the little room where the currency fixing is taking place: representatives of the banks sit at desks, each with a telephone to his dealing room; there is a chairman, and there, a little aloof, sits the Bundesbank representative. Perhaps it will be one of those days when the dollar is being sold down—the Bundesbank man raises his hand to buy 20m. It is oddly undramatic. The Stock Exchange floor, ten yards away, has learned to live with it.

**Martin Taylor**



*The trading floor of the Frankfurt Stock Exchange*

## BANKING

# Benefits of freedom

THE CASUAL observer might well be forgiven for thinking that the West German banking scene was dominated by three large commercial banks—the Deutsche Bank, the Dresdner Bank and Commerzbank.

But although these mighty institutions exert a tremendous influence on the market, the bulk of West Germany's banks lie in the bands of the public authorities and the co-operative movement.

Figures published by the Bundesbank, the Federal Republic's central bank, indicate that at the end of last year the aggregate business volume of the country's banking industry stood at about DM 1,750bn—more than three times the DM 456.8m recorded at the end of 1965. But of this massive total, only some DM 427m was attributable to the private sector.

In comparison, the combined business volumes of the public authority and co-operative banks totalled more than DM 1,300 bn. The combined business volumes of the savings banks' central institutions, the Landesbanks, amounted to DM 677.4bn while that of the co-operative movements banking operations totalled DM 244.5bn.

However, the public and co-operative sectors do not exert the overwhelming influence that their massive aggregate business volume suggests. Both sectors are greatly fragmented. In the public sector there are 12 Landesbanks and some 620 savings banks—some very small indeed.

The co-operative sector is made up of even smaller components and boast some 11 central institutions which have the job of collecting and re-deploying the excess funds of some 2,350 individual co-operative banks.

Things are far more concentrated in the commercial sector, however. Of the 3,477 banks reporting to the Bundesbank at the end of last year, only 273 were in the private commercial sector. Admittedly the "big three"—the aggregate business volume of which totalled about DM180bn or 42 per cent of the private sector's aggregate—stood head and shoulders above the rest of the field.

The combined business volumes of the remaining regional and other commercial banks amounted to just under DM 185bn, while next in line came the DM 33bn volume of the 51 branches of foreign banks operating in the Federal Republic. Finally, there are the 104 private bankers operating in the country who reported a business volume of just over DM 30bn.

Key to the industry's growth is the considerable degree of freedom allowed by the Federal Republic's universal banking system. Unlike Britain and the United States, where investment and deposit banking functions are separated by law, the German banks are free to offer the entire gamut of banking services under one roof.

They hold the nation's savings, provide industry with finance, act as investment institutions, offer stock-brokerage services and investment advice. They also own a substantial chunk of the country's industry as well as controlling far more than they own through the exercise of the voting rights on the shares deposited with them.

In theory at least, the prime beneficiaries of the massive freedom of movement is the commercial sector. The commercial banks, operating as public or private companies, and the private bankers are not fettered with the restraints and restrictions imposed upon the public authority institutions.

But not only are West German banking regulations extremely strictly applied to the commercial banks, the public authority banks have in many cases taken the view that it is their duty to offer hard competition to the private sector. Indeed, in practical terms of methods of operating, it is often extremely difficult to tell one from the other.

Furthermore, there have been almost as many scandals in the public sector as in the realms of private banking—the only difference being that the sums of money involved have been very much larger in the public sector scandals.

It is not unfair to say in the case of the Landesbanks, the 1970s have seen the exercise of formerly dormant power marred by mistakes which should never have happened. The powerful Westdeutsche Landesbank, for instance, lost some DM 300m in the foreign exchange markets during 1974, while in 1975 the Hessische Landesbank's shareholders—the local authority-owned savings banks and the State of Hesse—were forced to make provision for losses and potential losses to the tune of DM 2.2bn.

The Westdeutsche Landesbank's losses were rooted in insufficient senior-level supervision of the foreign exchange department, while the Hessische Landesbank's stemmed from speculative involvement in property—in some instances well outside the State itself.

Although it can reasonably be argued that such affairs were growing pains and unlikely to be repeated, the sums involved were huge and the events will for long be remembered.

There is little love lost between the commercial sector and the Landesbanks. The commercial bankers complain that the Landesbanks offer unfair competition because of their access to cheap long-term funds and their close links with State and local government.

They also allege that they have only limited experience in the international market place and that they force down margins as they do not have to satisfy private shareholders demands for improved profits.

Certainly the Landesbanks have much easier access to long-term funds than their private competitors, but the business they undertake for their State government is scarcely profitable.

Furthermore, they are under constant pressure to hold down the price of services they perform for the savings banks—their major shareholders. This is a considerable spur for them to seek commercial profits.

Accusations that the Landesbanks "lack experience" in international business certainly hold water in the case of many of the smaller banks. But the public sector has recruited a number of leading bankers from the commercial field, as well as attracting many ambitious young men who see the Landesbanks as providing a faster road to the top.

Not only that—the Landesbanks argue, with some justification, that they are under pressure from the savings banks to provide them with sophisticated overseas services in order that they can prevent the commercial banks from poaching their plum customers—the successful, local businesses—which would otherwise have no alternative but to go to the commercial banks for export services.

However, it is claimed that there is a growing feeling among state politicians that the Landesbanks should take the emphasis off overseas profits and turn towards encouraging the development of the State itself. Be that as it may, it seems fair to predict a slow down in the rate of the larger banks' overseas business.

This is just as likely to be because the foreign business of such banks as the Westdeutsche Landesbank has reached such a size that faster growth rate is neither feasible nor desirable. But with some 30 per cent of its profits generated overseas only the naive would expect them to abandon such a handsome source of revenue.

The pre-occupation of both sectors with overseas business reflects the increasing importance of foreign operations to profits. The West German commercial banks were relatively slow in setting up abroad, although they had a head start on the Landesbanks.

For many years after World War Two, the country's banks were stretched to the limit to provide the fund for re-constructing the war shattered economy. Even when this pressure eased off, their moves overseas were tentative and even to-day they still lag considerably behind the Americans and the British.

However, since the late 1960s their pace of growth abroad has rapidly increased and all of the major banks have branches, representative offices or correspondencies in the important banking centres. The majority of the leading banks derive at least 30 per cent of their profits in the foreign arena and British and American banks are feeling the heat of their competition.

German banks have been making inroads into traditionally British and American preserves—particularly the Middle East where they have established a high reputation. There they are not only offering the full gamut of advisory services, but are also understood to be handling considerable sums of Arab-owned investment capital through their Luxembourg subsidiaries.

Competition, however, is a two-edged sword and the West German banks are feeling it "in their own back yard" as increasing numbers of foreign banks are setting up in centres such as Frankfurt and Dusseldorf. They are attracted not only by the large—though quiet—West German industrial lending market, but the foreign exchange business and Euromarket that is second only to London.

The foreign banks are by no means entirely happy with the way in which the German banking world operates. They claim that the market is controlled by the major banks, particularly in the industrial lending sphere where the banks are able to use their massive industrial holdings to their own advantage.

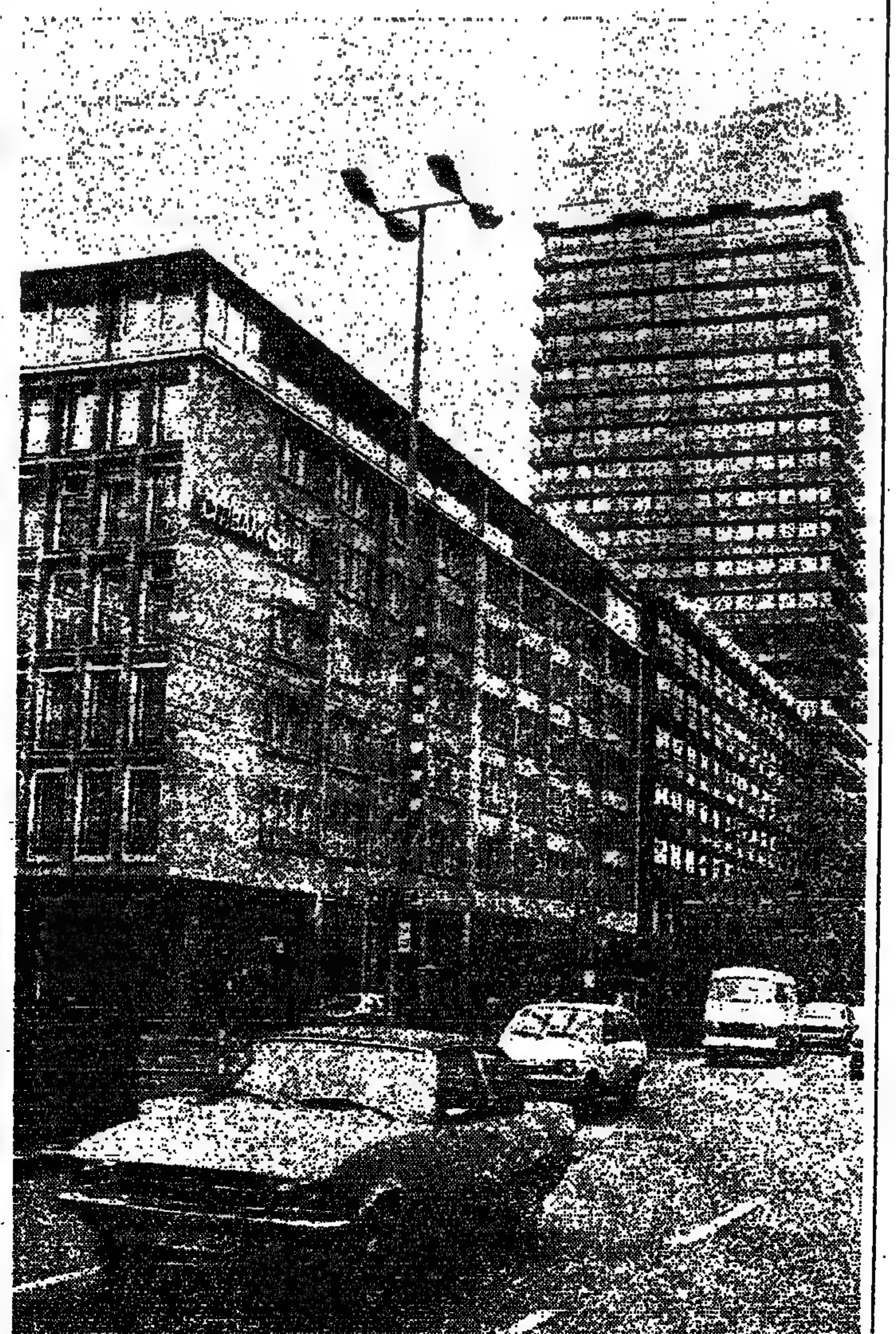
It is not only the foreign banks who are playing critic. The banks are under official scrutiny to determine whether or not their power is too great and there is strong lobby in support of clipping their wings.

Against this, many would argue that the very scope of operation which the universal banking system gives them acts as a curb against the abuse of their trust. So much is at stake that they must not only be blameless, but also be seen to be above suspicion.

The universal banking system has served Germany well in the past. Without it, it is unlikely that there would have been an economic miracle. Furthermore, if the banks' industrial holdings were severely reduced, their important work in rescuing ailing companies would become all but impossible, thrusting the burden on an unwilling state.

Naturally, there is always room for improvement, but far-reaching "reforms" carry the risk of throwing the baby out with the bath water.

**Guy Hawtin**



Citibank and Deutsche Bank offices in Frankfurt

## FARMING

# Doing well out of the EEC

THE YEAR past has been remarkable for a spirited attack by Mr. Christopher Tugendhat, Commissioner for the EEC budget, on what he inferred was the hypocrisy of the German Government, which complained of paying much of the cost of the EEC, while at the same time being the largest beneficiary of EEC subsidies for the intervention and disposal of surplus stocks, particularly of dairy products and beef. This attack, which was initiated in Munich, right on the doorstep of Dr. Ertl, the Minister of Agriculture, brought an instant but unconvincing defence.

Basically it was admitted that West German intervention stocks might be high. But many of these originated in other parts of the Community, even as far away as Ireland. They were drawn into Germany by the strength of the D-Mark, which, in spite of the Monetary Compensatory Amounts, designed to equalise prices between member countries, still managed to show a profit to the exporters.

In addition Dr. Ertl himself has defended in no uncertain terms the social efficiency of the German system. The many small and part-time farms intermixed with industry in rural areas have produced a balanced population. He has shown no inclination to change present policy.

Germany has a number of schemes for encouraging structural reform, i.e. enlarging farm holdings, but while these may slowly reduce the number of farms, it will be only to the benefit of those remaining and do nothing to reduce surpluses. To illustrate this: in the four years December, 1974-77, the number of dairy cow keepers fell to 80,000 or 13 per cent. During the period cow numbers increased marginally by about 0.6 per cent while milk delivered to dairies went up by 7 per cent, mainly due to an increase in yield per cow.

German yields per cow are quite good, ranking fourth in the Community league table after the Netherlands, the United Kingdom and Denmark. There is no doubt that, should the cattle population follow the example of the Netherlands and become 100 per cent Friesian, output would be a great deal higher. Already in recorded herds German production is on a par with that of the other countries.

Although in terms of structure German dairy farms are among the smallest in the Community, it is doubtful if there could be a move to larger herds in the foreseeable future. This is partly because of the high cost of land due to the reluctance of farmers to give up farming, but also to the fact that on the larger farms, where profitable cash crops can be grown, the tendency is to get rid of the cows. Employed cowman's wages are very high, and the high prices of cereals make grain growing very attractive.

**COMPARISON OF FARM OUTPUT, GERMANY AND UK, '000 tonnes**

| | 1977 Beef and veal | 1977 Milk | 1977-78 Sugar | 1976 Pigmeat | 1977 Cereals |
|---|---|---|---|---|---|
| West Germany ...... | 1.413 | 20.581 | 3,075 | 2,827 | 21,488 |
| UK .................. | 1.029 | 14.558 | 1,033 | 818 | 16,955 |

**FARM NUMBERS, 1977**

| | | % of farmers | % total area | Average size holding, hectares |
|---|---|---|---|---|
| Full time ... | 405,800 | 47 | 74 | 22.19 |
| Part time ... | 116,700 | 14 | 12 | 12.33 |
| Spare time... | 339,400 | 39 | 14 | 5.87 |
| | 861,900 | | | |

In terms of milk utilisation, the West German consumption of fresh cream, yoghurt, and cheese have increased marginally over the past five years, but butter and skimmed milk powder are much in excess of consumption. Butter output in particular has exceeded demand by 150,000 tonnes. This is where the cost to the EEC is incurred. It does appear that butter production is gradually increasing, while consumption is falling at roughly the same rate. It is very difficult to see how, in the face of a government which does not appear to wish to take any action which would upset its farmers, the EEC Commission will be able to do anything to restrict the rising output of German dairy farms.

The same trend of surplus production appears to affect pigs. But in this case there is no intervention or other price support system except for MCAs on EEC imports, and levies on imports from third countries of which there are few as Germany is mainly self-sufficient.

The number of breeding sows has been rising steadily since 1974, and at nearly 2.5m is by far the largest herd in the Community, and about three times the size of that in Britain. Again it is mainly a small-scale operation. The average number of sows has risen from [illegible] per farm to 9.8 over the period and the total number of pigs per holding has gone up from 27 to 33.

At the same time prices, in common with those of most of the rest of the Community, have fallen quite sharply over the past year, and are now little above those obtaining on the British market, while barley, the traditional feed constituent of most pig rations, is considerably dearer.

This situation can only be rectified if numbers fall. One immediate consequence has been a veritable onslaught on the British market by both Danes and Dutch, who find that they are unable to sell pigmeat profitably on the German market, because of the combination of low prices and the high monetary compensatory amounts imposed in order to protect German farmers.

### Concern

This is a matter of great concern, particularly to the Danes, who looked upon Germany as one of their main export markets. But it is difficult to see how anything can or will be done about it. German farmers have two great advantages in the provision of feeding stuffs. They grow far more of the feed requirements on their own farms, particularly potatoes. Also the strength of the D-Mark vis-a-vis the dollar, in particular, enables them to buy duty-free imports of soya meal [illegible] other non-levied materials [illegible] more cheaply in relation to their final output cost than those countries with [illegible] currencies.

Germany is not yet a force in the export trade for pigs [illegible] but it is quite possible [illegible] could become one before long.

The country is almost [illegible] sufficient in sugar and beef [illegible] cereal production is increasing steadily, which could mean [illegible] sufficiency as well at [illegible] rates of progress. All this [illegible] very creditable achievement [illegible] a country no larger than the U.K., but with rather [illegible] land.

Nevertheless, it is posing a formidable problem for the rest of the Community. Germany [illegible] the richest industrial [illegible] and by any criterion should [illegible] its earnings from industrial exports to purchase food as well as raw materials from elsewhere, just as Britain did in the 19th and the early part of the 20th century. The [illegible] in which this policy [illegible] implemented would [illegible] farming sector could be to [illegible] extent run down [illegible] which German farmers and their politicians [illegible] refused to consider.

**John Cherrington**

## NUCLEAR POWER

# Energy option of last resort

IT IS estimated that West Germany spent about DM 5m to mount its national display at the Nuclex nuclear industries exhibition and congress in Basle this month. Only the French could compete with such an outlay. It is a measure of the basic confidence of German industry in a technology from which it was excluded until the mid-1950s, but to the advancement of which it has contributed handsomely ever since.

Yet for political reasons nuclear power has been downgraded from the status of providing West Germany with reasonable assurance of energy independence—a status it still enjoys in France, for instance—to that of being the energy option of last resort. It has built up the nuclear proportion of the electricity system to about 13 per cent. But it has frozen six projects because of objections to plant siting—in one case after the utility had invested some DM 500m. Meanwhile, in order to make any kind of economic sense of current political enthusiasm for coal this fuel must be imported from Poland and even Australia.

The latest West German energy programme, made public late last year, lowers the nuclear target for the second time since 1973. The figure that year was 45,000-50,000 MW online by 1985—45 per cent of the nation's electricity. The reactor design and construction industry invested in the capacity to build more than seven large nuclear units a year. But the target figure fell—first to 30,000 MW, and most recently to 24,000 MW by 1985. This will be only about 29 per cent of generating capacity.

The position today is that the nuclear industry has ten units in operation, totalling over 7,000 MW; and another nine under construction in Germany, totalling 9,400 MW. In addition it is building seven units for export and holds a further four "letters of intent." Kraftwerk Union (KWU), the Siemens power plant subsidiary, overwhelmingly the dominant company, has an order book at present worth about DM 26bn (£6.5bn), some 90 per cent of which is for nuclear technology.

Understandably, KWU is unhappy about this heavy preponderance of nuclear business. It would be happier with about 30 per cent of non-nuclear plant. One reason is not difficult to seek when one considers the ease with which regional authorities have been able to revoke permission for nuclear construction. It has had no new domestic orders for reactors for over three years. Another lies in the export position and the contracts with which KWU has sought to fill capacity no longer needed to sustain the domestic programme.

Question marks hover over both its main export contracts today. In Brazil, where in 1975 the world's biggest nuclear deal was clinched by intergovernmental agreement, construction of the first two units (of the promised eight on-line by 1990) has been seriously delayed by site problems. The Angra site required extensive reinforcement by piling, a task only just completed for the first, Angra 2. (Angra 1 is being built by Westinghouse.) Angra 2 is already nine months behind schedule, and not expected to be handed over to the utility, Furnas, before 1983. Angra 3 has not yet been started, and there is some uncertainty whether it will now be at Angra because of the cost of reinforcing the site.

### Publicised

A hold-up at the start of so big and highly publicised a venture as German industry has undertaken in Brazil provides fertile circumstances for rumour that the venture is proving a disaster. But KWU flatly denies that it is having trouble obtaining regular payments from Brazil; or that it has met unexpected problems in the quality of local staff. It points, for example, to the construction of the local factory for fabrication of heavy components, which it is helping Brazil to set up, and which it says is a trivial four weeks behind schedule. Mr. Klaus Barthelt, chairman of the KWU Board of management, remains confident that orders for the next two units for Brazil will be signed next year.

Mr. Barthelt, formerly Siemens' sales representative in Iran, has problems of a different kind with this country. His client, Mr. Akbor Etemad, head of the Atomic Energy Organisation of Iran until last week, is in political trouble, apparently accused of poor financial management (although KWU reports no problems in its cash flow from Tehran). Unlike Brazil, where the deal is founded on the principle of technology transfer, the Iranian order comprises turnkey contracts for two units, the first of which is three-quarters completed; with letters of intent for four more. These Mr. Barthelt had hoped to convert to firm orders this year but this now looks very doubtful, because of Iran's economic troubles.

A third reason why KWU would like to be less heavily dependent upon nuclear business is because its nuclear accounting is more transparent than that of its rivals—"pockets of glass" as Mr. Barthelt sees his business. It made a profit for the first time in 1976 but has gone back into the red. Now that KWU is wholly owned by Siemens, future accounts will be reported only as part of the group—one which claims to have 3 per cent of world sales of all electrotechnology. There is also relief in the company that all parties have now agreed on the limit of the liability—DM 1,215m—for the five boiling water reactors under construction, for which AEG, Siemens' former partner, originally had responsibility.

Development projects have not proved immune to the problems of licensing nuclear plants in West Germany. Hochtemperatur-Kernkraftwerk (HKG) has recently admitted further delays in the 300 MW demonstration "pebble-bed" high-temperature reactor. The original estimate of 61 months for completion has expanded to 108 months; and the cost has increased from DM 885m in 1973 to an estimated DM 1.75bn today.

The licensing authority for the SNR 300 fast reactor under construction at Kalkar is going so far as to argue that it should be adapted to a different kind of fuel cycle—an "incinerator" of plutonium rather than a breeder of fresh plutonium—in the belief that this would reduce the risks from plutonium proliferation. The project, which has already absorbed over DM 1bn since it began five years ago, would certainly be delayed by any such change.

In his annual review of German nuclear activities at the general conference of the International Atomic Energy Agency last month, State Secretary H. H. Haunschild stressed the extent of Germany's commitment to preventing proliferation. The West German Government and the IAEA had just agreed, he said, on a joint programme for strengthening safeguards against proliferation involving 30 projects to be carried out in national and industrial research centres. But everyone was aware, he said, that "to obtain nuclear weapons by way of a civilian nuclear power programme is the most expensive method, and the one that is most easily

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## EDUCATION

# System in a state of turmoil

FOR AT least a decade, the West German education system has been in ferment. Education policy has now reached a stage where virtually nothing is moving, where lots of administrative bodies have been set up to bring progress but have served largely to inflate the bureaucracy.

There are many reasons. Under West Germany's Federal system Bonn is allowed only a supervisory function in education matters. The real responsibility lies with the Länder (the states), which confer on school and university policy through a "Standing Conference of Federal Culture Ministers." The Länder governed by the Christian Democratic Union (CDU) balk at most of the education policy recommendations made by the Social Democrat-Free Democrat (SPD-FDP) Government coalition in Bonn. This is so although they initially went along with the broad lines of these proposals when they were presented as an "Overall education plan" (Bildungsgesamtplan) in 1973.

### Uncertain

Meanwhile, the SPD and the FDP have become uncertain whether their goal of more and better education — including higher education—for as many young people as possible is still justified at a time of high unemployment, when even university graduates are on the dole. The CDU's warning that West Germany is producing too many highly trained people for the jobs available has also left an impression on the Social Democrats.

When the SPD-FDP Government came to power nine years ago, only about one school leaver in ten was going on to higher education. Today the figure is roughly one in four. the proportion of students coming from working-class families is increasing steadily. Whereas at the end of the 1960s they comprised only about 6 per cent of all students, the figure has now risen to just under 20 per cent. Girls, too, are coming forward to take up their right to education. Fifteen years ago they accounted for just a quarter of all students, today they make up fully a third.

The Federal Education Minister, Dr. Juergen Schmude, of the SPD, argues that "to pass up a chance for education means less chance of having a satisfactory working life" and that "investments in education are investments in the future." However, the Social Democrat-ruled Länder have now adopted a low profile on the matter. Shaken by flagging support in some state elections and by failures in a number of school reform experiments in the last few years, they are even fighting shy of extending the comprehensive school system. That is despite outright support for this system among parents, according to figures published recently by the teachers' union. SPD State Governments are stalling on the building of new universities and the extension of existing ones.

The CDU opposition meanwhile strongly attacks the comprehensive school. One of the most outspoken critics, Dr. Alfred Dregger, head of the CDU in Hesse, simply accuses the SPD of trying by this means to educate the young "for class war." He has called for a course correction in school policy and adherence to Germany's traditional three-tier school system.

It works like this. After the primary school at the age of ten, a decision must be made on whether the child should stay at a second-level primary, go on to an intermediate school or enrol in a grammar school. The decision is crucial because it predetermines a child's professional life at a very early age. Only the grammar school, which finishes after age 13 with the Abitur or university entrance certificate, leaves all options open for later. The second-level primary course ends after the ninth school year, i.e. at age 15. Most of these pupils then go on to a vocational school, usually accompanied by on-the-job training by an employer. The intermediate school ends with the tenth year. It puts more emphasis on languages, but it is also not a preparation for university.

This rigid system has created stress and anxiety among children and parents. Thus the comprehensive school was designed to give every child equal opportunities and encouragement and to do away with the CDU's principle of privileged selection. It avoids firmly classifying the pupils for one type of school at an early stage, allowing corrections later, if need be. Each pupil at a comprehensive school can theoretically proceed according to his or her capabilities and interests, electing more or less demanding courses, and choosing among various vocational-training subjects. There are around 200 comprehensive schools in West Germany, mostly in SPD-run states.

The major dispute between the political parties is over the universities, crisis-ridden ever since the mid-1960s. The traditional German university was geared to a small student body, and was dedicated to pure learning and to theoretical research. Career-training took second place. Professors were powerful and autocratic.

The need of modern society for masses of well educated citizens threw the universities into conflict over their role. The problems of ever growing numbers of students, of overcrowded lecture halls, inadequate laboratory facilities, longer periods of study and, as a consequence, restrictions on university admissions (numerus clausus) led to student unrest.

The Bonn Government and all the Länder tried to cope with the new pressure in various ways. Over 20 new universities were built. Funds for universities quadrupled within a single decade. Between 1970 and 1975, 200,000 new places for students were created. The teaching staff doubled to include specialist instructors, and in answer to the students' demands for co-determination various democratic models were tried out.

Yet students still complain about organisation and confused curricula, which frequently lead to extended periods of study. The average student graduates after 13 semesters, or six and a half years, which means that 30 per cent of the students are over 26 years of age. As universities are largely self-governing institutions, the introduction of new teaching and working materials and the streamlining of curricula are left mainly to the faculty, with the Bonn Government providing only rough guidelines.

### Swelling

In view of the fact that the baby boom children of the 1950s are due to enter university soon, further swelling student numbers, the Bundestag passed the "Higher Education Reform Act" in 1975, laying down uniform principles for the reform of higher education. Greater priority than in the past is to be given to preparation for a career as the first aim of higher education. Courses are to be tightened up and scrutinised to enable students to complete their studies within a standard study period of four to six years, depending on the subject.

Whether this law is going to remedy the situation remains to be seen. Little progress has been made since 1975. The universities have set up study commissions to do the necessary preparation for the implementation of the Act — and not much else. Students are nervous, fearing further upheaval, in addition to the pressure — exerted by job shortage—for top grades at their finals.

The CDU and its conservative followers argue that most of these problems could be solved if education were to be rationed. They also feel that students spend too much time trying to run the unwieldy machinery supposed to ensure democratic co-determination. Bavaria and Baden-Württemberg have already dissolved the student representation bodies.

The anomalies in the West German educational system are increasing, much to the annoyance of the public. Parents who have to move from one state to another soon notice that their children find the going hard. Curricula and even subjects often differ. Teachers trained in Hamburg, for instance, cannot easily transfer to Bavaria.

In February the Federal Government, in an effort to fulfil its obligation to give guidance to the states, published a report on the educational system. It severely criticised the inadequacies of the structure, especially in CDU-run states. Its main conclusion was: a stronger central government voice in education.

Although the public wants more uniformity in education, it would require a change in the federal constitution to strengthen Bonn's hand. The opposition could be relied on to fight tooth and nail against any such curtailment of Länder competence.

**Elgin Schroeder**

## NUCLEAR

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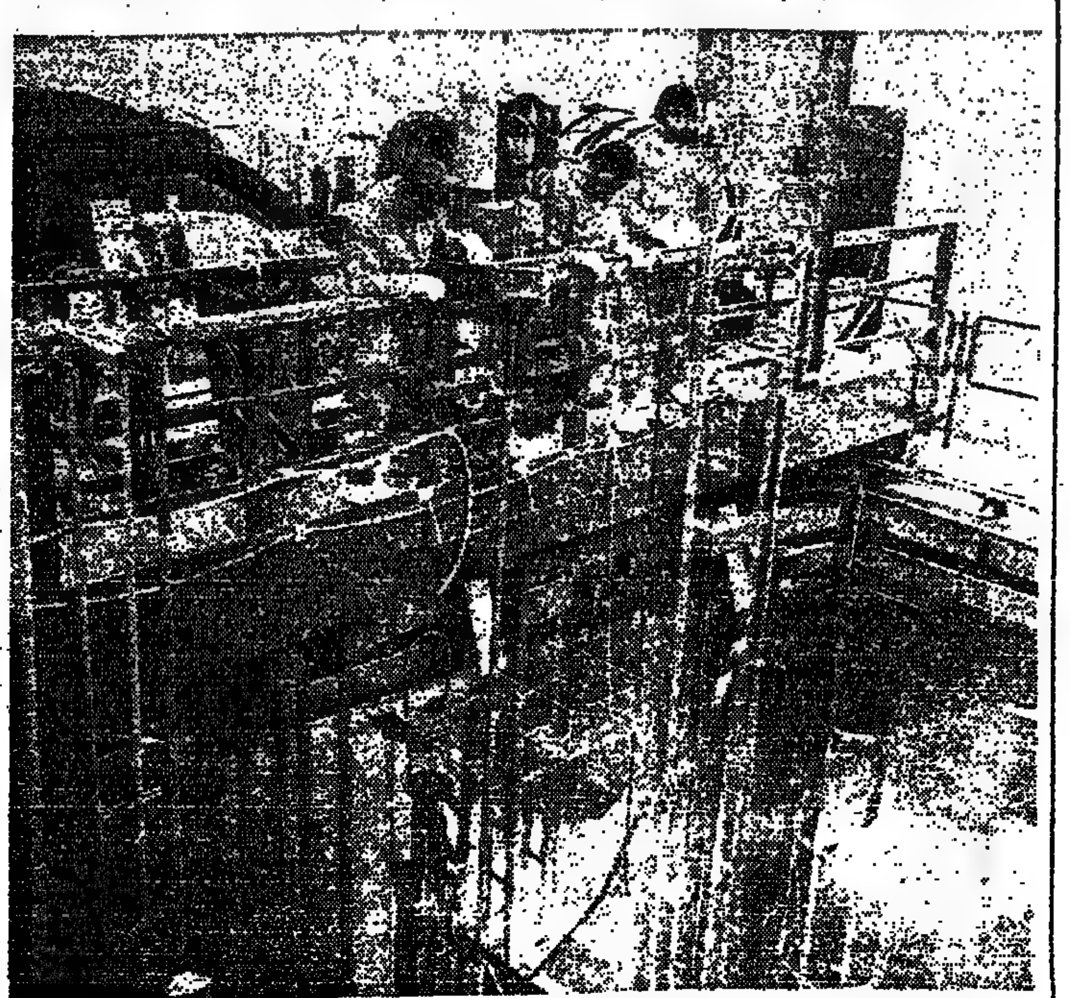
detected." Bonn and the local licensing authority may be in serious conflict if the latter persists in its efforts to delay the SNR 300 German-Benelux demonstration fast breeder reactor.

Although West Germany is not a nuclear weapon state, it has been separating one fissile material — plutonium — since 1971, in the WAK progenitor of what is being planned as a 1,500-tonne reprocessing plant at Gorleben in the 1990s. The Gorleben project is an integrated nuclear fuel services centre, planned by DWK, a company set up by 12 electrical utilities. By the end of this year DWK will have committed about DM300m to the project, including purchasing the WAK plant and mounting a joint research programme with the Government at Karlsruhe. The company expects to spend DM2bn preparing this project to the point of winning approval from the licensing authority. The total bill for its completion to the stage of being the world's first industrial centre to take care of every aspect of spent fuel could come to DM11.5bn.

Next year West Germany expects to start construction of a commercial plant for another of the "sensitive technologies" — uranium enrichment. At Gronau, about 35 km. from the German-Dutch enrichment factory at Almelo, Urenco—the Anglo-German-Dutch enrichment group—plans to build Germany's first gas centrifuge plant. The decision, expected shortly to be approved by Urenco's Board of management, has been reached under strong pressure from German utilities, which want the security of supply associated with a national source. Unilateral U.S. insistence on a renegotiation of enrichment contracts over the past 18 months, and more recently Dutch parliamentary efforts to block a Urenco sale to Brazil, has convinced the utilities that they must try at all costs to maintain independent national sources of fuel.

**David Fishlock**



*Inspecting spent nuclear fuel stored in a pond (courtesy, Kraftwerk Union).*

## STEEL

# Keeping officialdom at bay

FOR THE West German steel industry, 1978 has been a year of paradox. It has seen little real improvement in the world market, despite sporadic monthly improvements in the production and orders figures for some products. Forecasts of what is to come are, if anything, even gloomier than they were 12 months ago; the industry, at the end of four continuous years of crisis, no longer talks of an imminent return to what it chooses to regard as "normal" conditions—meaning prosperity such as it enjoyed in 1974. Few believe any major recovery will occur much before 1982-83.

Against all this must, however, be set the imperfect, yet welcome, benefits of the European Commission's intervention in the market. West German steelmakers still like to be quoted for publication as opposing *dirigisme* in any form. Yet the fact is that the Davignon price regime has brought some relief, and cannot but be reflected in more stable earnings when the steel companies draw up their provisional 1978 financial results at the turn of the year.

The industry's loud advocacy of free market discipline for the Community's steel sector, in which it is firmly supported by the West German Government, is not entirely a matter of intellectual preference. The West Germans see themselves left as the leading steel industry among the Nine still in private hands, and they firmly believe that in order to keep it that way, officialdom should be kept at arm's length. The French Government's recent financial restructuring plan for its steel industry has, if anything, reinforced that conviction.

No less important in the West German view is the fact that the industry is among the most modern and economical in the world, thanks to massive investment undertaken during the good years. The German steelmakers are confident that, if the European steel industry could be left to fend for itself and the whole structure of Community and national governmental intervention demolished, the West German companies would have no trouble surviving. As the Bonn Economics Ministry sees it, the prime task for the Nine must be to use the breathing space bought by the Davignon plan to slim down the European steel industry by phasing out older, smaller and less profitable plant. West Germany has warned frequently that it will not look kindly on any attempt by its partners to use the Community price scheme as a means of keeping obsolete capacity running indefinitely, at the expense of the more economical producers.

In the medium term, however, West Germany is not likely to find the process of further contraction any more congenial than other European countries. One effect of the steel crisis has been to increase the federal and state governments' own involvment in the industry, and there are few who believe this trend will be quickly reversed. This year, for example, Bonn has had to come to the rescue of the Saarland, one of the smallest and economically hardest-hit of the States, whose fragmented steel industry had found itself in severe difficulties as a result of its heavy dependence on bulk products. With the aid of DM 200m in investment subsidies and of a further DM 900m in federal loan guarantees, the Luxembourg - based ARBED group has now taken over control of Röchling-Burbach and of Neunkirchener Eisenwerke in a massive modernisation bid. Separately from this, the Bonn and Saarland authorities are setting aside some DM 500m to cover the social costs of what is expected to be a heavy rundown in manpower in the industry.

The Saarland is not the only instance in which the German steel industry has been forced into closer dependence on the Government than its purist free market doctrine might suggest. The industry is the indirect beneficiary from the subsidies paid by the Federal Government to the coal industry in order to allow domestic coking coal to compete with cheaper imports, primarily from the U.S. This sum has risen sharply in recent years, partly as a result of the dollar's decline against the Deutschmark, and some DM 740m will be set aside in the 1979 budget. As shareholders in Ruhrkohle, the biggest West German coal mining concern, the major steel companies have a two-fold interest.

In an altogether different category lies the DM 100m which Bonn has earmarked for the capital increase being carried out by Salzgitter, the wholly Government-owned steelmaking and engineering group. Although rival steelmen are sometimes inclined to envy colleagues at Salzgitter their dependence on a single, usually accommodating shareholder, the Government's consistent policy, as with other industrial companies it controls, has been to leave management well alone.

The operating results of individual German steel companies for 1978 so far have suggested little improvement on the dismal performance of last year, though none has yet published interim profit or loss figures. After the 1977 results were made available, however, it became clearer than ever that the companies which had fared best were those that have been able to diversify, for example, into steel fabrication, mechanical engineering and plant construction, and into engineering services and turnkey industrial projects outside West Germany.

The steel business itself, however, remains at the heart of each of the major West German groups' activities, as well as of the host of smaller companies in the industry. Here, 1978 seems likely to confirm the experience of 1977 that even with a high degree of automation and rationalisation, European producers are going to find it increasingly difficult to compete with lower-cost countries in the market for mass steel products. In so far as West German companies are operating profitably at current prices in their steelmaking activities, they are almost invariably doing so thanks to stainless and special steel products. In their more reflective moments, many German steel executives appear to have resigned themselves to the idea that, in their industry, as in others, Germany's high costs and climbing currency will in the longer term make it concentrate on quality, rather than quantity, in the world market place.

### Change

All this could, in theory, change fast if economic recovery in the European Community should suddenly gather speed. Yet apart from the motor industry, accounting for between 10 and 15 per cent of the home market for rolled steel products, few of steel's major customer industries seem to be in any position substantially to expand their purchases as 1978 moves towards a close. It has now become clear that the fillip provided by exports during the first half of the year was due to short-lived special factors, so that much of the industry's output during the second half seems to have been added to its already swol[len] stock levels.

For the current year, m[ost] forecasters are therefore p[re]dicting an increase of no m[ore] than 2.5-3 per cent in W[est] Germany's 1977 crude st[eel] production of 39m tonne[s,] itself a far cry from the [...] tonnes achieved only th[ree] years earlier. The industry's [...] of its capacity of perhaps [...] tonnes a year has been runni[ng] at no better than 60 per c[ent] this year, and is unlikely [to] show much immediate impro[ve]ment.

In this dismal situation, [...] German companies' fortu[nes] will rest heavily on the le[vel] of prices that the Europe[an] Commission is able to enfor[ce.] Despite the scepticism w[ith] which the entire steel ma[rket] plan was greeted in Germa[ny,] there is now some grudg[ing] acknowledgement that the p[rice] level has improved by a p[oint] or two, that discounts are be[ing] more carefully policed, and [that] the Brussels bureaucrats a[re] even attempting to br[ing] the resourceful independe[nt] producers of Northern Italy in[to] line.

To the extent that [the] Davignon plan succeeds [in] staunching heavy losses, [or] even allowing companies [to] return to profitability on so[me] of their product lines, the We[st] German industry is bound [to] accord it a reluctant welco[me.] But if the Commission's effor[ts] merely delay what the Germ[an] companies feel is the inevitab[le] disappearance from the scene [of] their weaker brethren els[e]where in Europe, they are lik[ely] to kick over the tra[ces] impatiently.

A.[...]



## MECHANICAL ENGINEERING

# Fall-off in exports

FOREIGN CUSTOMERS of West Germany's biggest exporting industry have again been content to sit unenthusiastically on the sidelines this year. Daunted by the soaring Deutschemark and discouraged by the generally listless state of the world economy, they have left all the runing in the mechanical engineering sector to home buyers.

The net result, during the first three-quarters of 1978, has been another period of near stagnation. Since last year was poor and the previous one hardly more encouraging, the industry is once more stoically having to write off the present 12 months and wait hopefully for 1979.

As well as selling more abroad than any other industry—DM 54bn ($28bn) in 1977, a mere 3.8 per cent advance on the previous year—the German mechanical engineering industry is also the largest employer. But as the effects of weaker demand from abroad and lack of capital strength at home have continued to bite, the numbers have dwindled. At the end of 1975, this highly fragmented sector, in which around 80 per cent of companies employ less than 200 people, provided jobs for 1.09m workers. A year later, the total was down to 1.06m, while last year saw a further decline to below 1.04m.

This year, the decline has continued, although less rapidly according to officials of the Association of German Machinery Manufacturers (VDMA). The association's monthly chroniclings of orders and turnover also suggest that the worst is now over, though they certainly do not indicate any striking improvement.

Altogether, between January and August 1978, new orders booked by the industry were no more than 2 per cent higher in real terms over the first eight months of last year. At home, there was an encouraging rise of 7 per cent; yet business from abroad slipped by 3 per cent. Unexciting though the figures may be, they provide less cause for gloom than those for the whole of last year, when total new orders slid down some 6 per cent, led by a 14 per cent drop from abroad which the 6 per cent home advance was unable to offset.

How, then, did the country's engineering giants fare last year? The largest, Gutehoffnungshütte (GHH), which is also number one in the industry in Europe, seems to have done little more than mark time, with sales in the year to June 30 up nearly 3 per cent at home and down by just about the same amount abroad. At DM 12.1bn, therefore, the total varied little from the year before, though the order book was 10.6 per cent higher, chiefly due to a few large deals.

Helped by their size, spread and resilience, leading concerns such as GHH, Mannesmann and Krupp can ride out many of the storms which cause lesser companies to go under. GHH, which has yet to produce full profit figures, says it maintained earnings in 1977-78. But it paints a grey picture of demand for the machinery, machine tools and plant which it produces, describing it as less than adequate, while the continued advance of the German currency has opened the way to import substitution in several key areas of the home market.

Nor, adds the GHH board, was there any boost in export demand to offset this, although matters differed considerably between various sectors. The extent of the divergence is borne out by GHH's biggest subsidiary, Maschinenfabrik Augsburg-Nurnberg (MAN), which cites higher German labour costs as well as the dollar's headlong plunge among its catalogue of woes last year. MAN's sales of diesel motors for ships have suffered sharply from the depression among domestic yards, while orders for engineering products for energy production were also slack. Yet sales of the company's lorries and buses were fairly strong, as were those of printing machinery.

Among the 38 broad produc[t] categories represented in th[e] VDMA's membership, relativel[y] few have been benefiting from the revival of home investmen[t] activity. They include construc[tion] machinery, machine tools, farm machinery and printing machinery. Abroad, the position is equally varied.

Another top German engineering company, Demag, part of the Mannesmann group, was able t[o] buck the poor overseas deman[d] trend last year and expects th[is] year's tournover to be some 10 [to] 15 per cent higher than that [of] 1977. One of the company[']s strengths is its leading position in the heavy plant sector of the industry, enabling it to take advantage of the order potentia[l] released by huge industrial pro[jects] in OPEC, Eastern Europe and countries outside the highly industrialised western orbit where the lingering crisis in the iron and steel industry has caused investment to flag.

In Brazil, for instance, Demag is combining with its Mannesmann parent to erect a heavy machinery plant. In Poland, [it] concluded a co-operation deal last year with the Hutmasz concern in the foundry sector, [an] area in which it is now also working together with Hyundai, the major South Korean company. Demag is active in Algeria, while its Asian business

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## SHIPPING AND SHIPBUILDING

# Facing a familiar plight

NO AREA of West German industrial or commercial life is in such deep trouble as the maritime sector. Shipowners and shipbuilders, suffering from the world slump that has hit their business hard in virtually every country, have had to swallow their principles and to overcome their instinctive preference for being left alone, in order to take their case to the Bonn Government. Both have felt obliged to put forward their arguments for financial assistance of a temporary nature (but doubtless on a substantial scale) to see them through the next two to three years. If they do not get it, spokesmen for both shipowners and shipbuilders have warned, West Germany is likely in a few years' time to find itself forced permanently out of both businesses.

The Germans' plight is in many respects a familiar one to their colleagues and competitors in other European countries—painful over-extension of merchant fleets and of shipbuilding capacity that shows little sign of running down: protectionism on the part of other trading nations and not least, competition from new directions that is regarded as destructive and unfair. On top of all this, however, West German shipowners and shipbuilders have had to contend with the strain of a prolonged period of exchange rate turbulence that has pushed the Deutschemark ever higher. At the end of several years of what can without exaggeration be described as crisis, there is little sign of the rapid acceleration in the pace of world trade that would be needed to change shipbuilders' and shipowners' fortunes for the better.

For shipowners, the collapse of the dollar against the D-mark has been especially devastating. Herr Nikolaus Schues, president of the Verband Deutscher Reeder, the industry's federation, has described the effect of the dollar's fall as equivalent to an export tax on West German shipping well in excess of 10 per cent. Some 80 per cent of the lines' income is in dollars, while the rest is largely in other currencies, calculated from a dollar-denominated freight rate. Yet a good 80 per cent of shipowners' outgoings are in D-Marks, including the critical elements of debt servicing and repayment, insurance and labour costs. In a presentation of the shipowners' difficulties in the late spring of this year, the VDR pointed out that as this gap widened steadily further, so many lines would find themselves unable to cover costs, while the fact that ship prices are mainly expressed in dollars must lead to an erosion of asset values in D-Mark terms, making further borrowing increasingly difficult.

By way of a remedy Herr Schues called on the Government for a series of short-term measures to help shipowners, including provision for direct financial assistance to those with severe liquidity problems and some form of exchange rate guarantee (yet to be worked out in detail). At the same time, the industry feels it cannot long survive without some defence against the second major threat that has been building up in recent years—the massive price-cutting offensive launched by the Soviet Union and to a lesser extent, other East European countries. According to the West German shipowners, Soviet freight rates on North Atlantic container services now undercut their own by as much as 50 per cent, while in tonnage terms, the USSR now enjoys about 18 per cent of east-bound and 22 per cent of west-bound freight on the route.

The German shipowners see no way in which the Comecon challenge can be met except through negotiations at governmental level. Bonn has been carrying on intermittent talks with Moscow for well over a year, and is officially still hopeful that the latest round which opened this month will bear fruit. It has warned Russia that it is preparing regulations that would require registration of East European vessels undertaking cross-trade between West Germany and ports in third countries, and has strongly intimated that this might be followed up by a licensing system.

The registration requirement could be introduced early in 1979. Further, Bonn is not entirely without leverage on the Comecon states' shipping policies: it is taking a much tougher line than had been forecast over the future status of the Rhine-Main-Danube canal, now approaching completion. West Germany is arguing that the canal will be an internal and not an international waterway, and is thus making plain that it will not let the large inland shipping industry be subjected to the same threat from Comecon as faces the ocean shipping lines. In due course it may be willing to set one off against the other in negotiations with Moscow.

However, a more immediate prospect is that the European Community will attempt to harden its own joint stance, now that a common shipping policy is being formulated, and will be able to talk to the East Europeans more coherently than hitherto. No less important for the West German shipowners is that the Community should close ranks on the other major issues that confront the industry—notably the approach that should be taken towards signs of increasing protectionism. That means for the Germans the response to the proposed UNCTAD shipping code and to impending U.S. legislation. So far as the code is concerned, the West Germans are inclined to settle for the 40 : 40 : 20 formula for allocating cargoes between exporter, importer and third country shipping: not that they like it, but they fear that the developing countries might be driven to more damaging action if the code is not adopted in its present form.

It comes as little surprise that the West German merchant fleet should have shrunk by some 92,000 tonnes during the first half of this year to approximately 8.9m tonnes. There were 26 new deliveries, totalling 272,000 tonnes, compared to 31 new vessels totalling 330,000 tonnes in the first six months of 1977. While tankers remained the largest single category, their share diminished a little further, from 41.2 per cent to 39.7 per cent of the total registered tonnage.

For the West German shipbuilders, an even more drastic retrenchment has been taking place. Between 1973 and 1977, the industry carried out a DM 1.4bn programme of re-equipment and modernisation whose main thrust was to re-equip the yards for the role they have been taking on gradually over several years. This is to concentrate on specialised, high-value types of ship such as container vessels, freighters built for other special-purpose cargo systems, gas and chemical tankers and heavy cargo carriers. At the same time, employment has been reduced from 86,750 in 1960 to 58,340 this year, and is due to decline to no more than 50,000 by 1980. The industry has also planned, as part of its own adjustment to the current crisis in shipbuilding worldwide, to cut its work load from 54.7m man hours in 1975 to 23.4m in 1980. The series of mergers and closures of the past two decades have, moreover, reduced the number of West German shipyards in business from 64 in 1960 to only 45 this year.

With this process of contraction and adjustment, West German shipyards had hoped to be prepared to survive a few lean years before the upturn in the market which they believe will begin to make itself felt after 1982. By the end of the next decade, when a good deal of the world's existing tonnage will be commercially and technically obsolete, the West Germans believe that their sophisticated, increasingly automated plant should stand them in good stead.

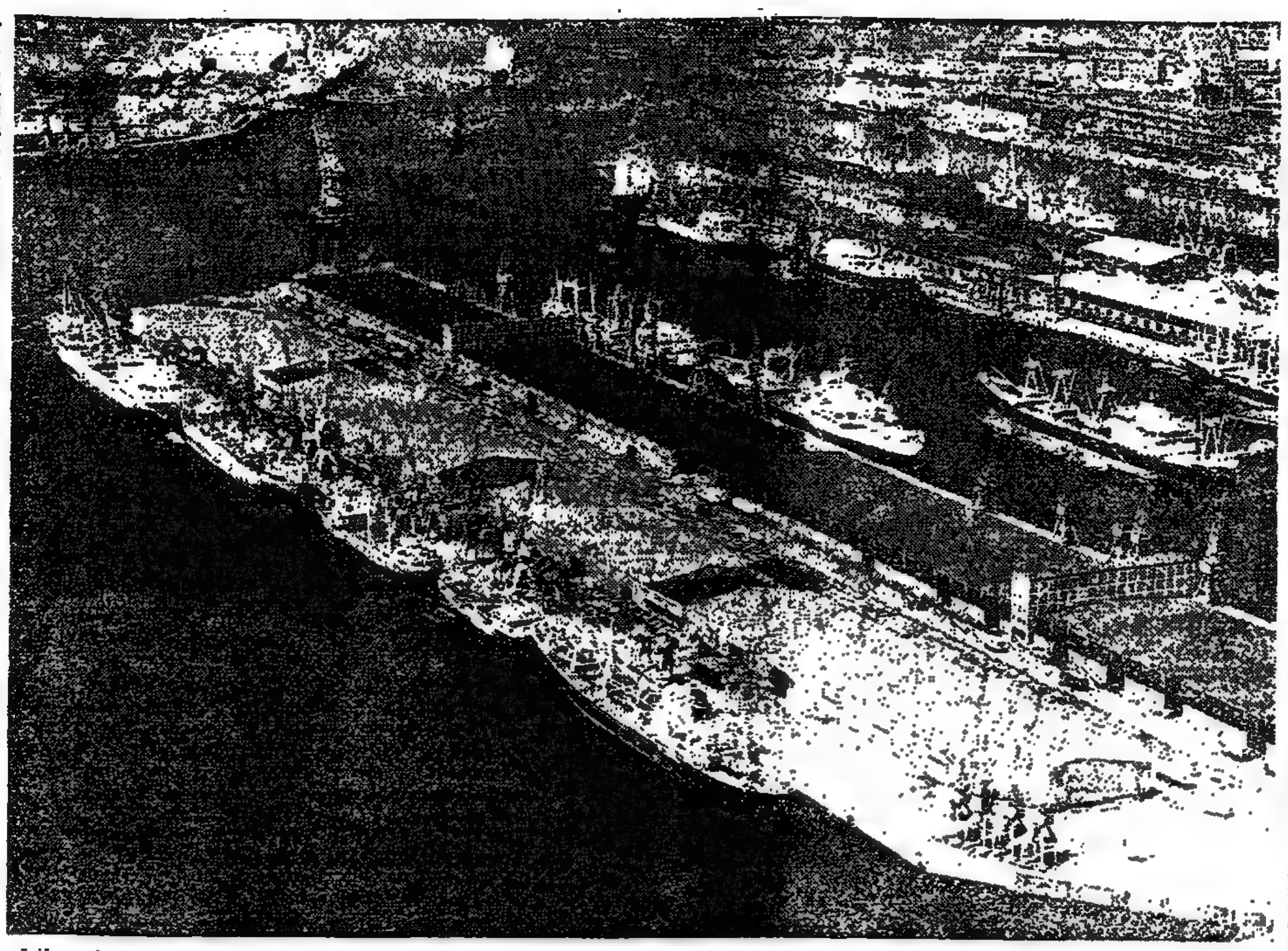
It has not worked out quite as smoothly as that. West Germany has had some success in building up its share of high-value, special ships of the kind whose complex outfitting and equipment are difficult for yards in Eastern Europe or in the developing countries to match and where price alone is not always the deciding factor. The West German share of the world market for container ships and other special-purpose freighters was 11 per cent in 1976-77, and for gas and chemical tankers 8 per cent, compared to a share of only 4 per cent for production of oil tankers and other bulk carriers, the ship types in most acute worldwide surplus both in terms of current tonnage and of shipyard building capacity.

Yet figures published last month by the shipping magazine *Fairplay* put West Germany in 16th place in terms of orders in hand, with no more than 1m tonnes out of some 61m tonnes worldwide—a figure that compares poorly with the 265m tonnes on shipyard order books four years ago. The West German shipyards' trade association, the Verband der Deutschen Schiffbauindustrie, last month put the picture in even starker terms: on a man-hour basis, the work on the industry's books would occupy one-third of its time in 1979. For 1980, the industry has at present no orders in hand at all. "As a result," the VDS states bluntly in its report on the state of the industry, "a critical situation has arisen which will have the consequence of a virtual annihilation of the sound structure of the German shipyards and of jobs in German shipbuilding and in the German shipbuilding supply industry, if additional assistance cannot be made possible for a limited period of time."

The industry already receives very substantial sums of money from the Federal Government—over DM 3bn since 1962—in the form of building assistance for West German shipowners, "tied" development aid to countries which place orders for merchant ships, with German yards, extensive orders by the Bundesmarine for warships and a more flexible attitude towards foreign orders for warships. The shipbuilders would like Bonn to continue and expand all these measures, and to do much more besides if it wants to see a German shipbuilding industry survive.

Without infringing European Community rules, the industry wants Bonn to raise direct building subsidies to 20 per cent of the purchase price during the two years up to mid-1980, after which time it suggests that the rate should be run down progressively. It wants to see measures taken to encourage German shipowners to place more orders with German yards—much as the shipowners themselves are urging. This would include invoking the "crisis" clause in EEC rules to allow domestic customers more favourable credit terms than the OECD export credit agreement permits, thus allowing German shipowners to profit from the country's currently low interest rates. The shipbuilders also want to press the Government to accept the UNCTAD code, doubtless because they believe it would lead to a general rise in tonnage belonging to the developing countries, and are arguing for adoption of international safety measures such as reduction of tanker size and separation of tanks—steps which would also provide yards with more work.

**A.D.**



*Like their counterparts elsewhere German shipowners and shipbuilders need an upturn in world trade to improve their fortunes. The photograph above shows cargo terminals at Hamburg docks*

## ENGINEERING

CONTINUED FROM PREVIOUS PAGE

includes the participation in a massive rolling mill complex at Wuhan in China.

Despite the geographical diversity enjoyed by big companies like Demag, it is still western Europe which provides the bulk of outside orders received by the engineering industry. This is one reason why foreign business has been so dull in the past few years, as customers in Germany's neighbouring countries have been held back by the overall lack of spirit on the investment scene.

Yet while the opportunity to do more business in eastern Europe and OPEC has certainly not come amiss, orders from these areas are no real substitute for vigorous trade with the West. In the countries east of the Federal Republic, for instance, the increasing emphasis on barter or compensation deals, forced on communist authorities by lack of foreign exchange, is a hindrance to German companies, though grudgingly accepted as a necessary evil. And while deals with the OPEC oil-producing countries have risen astronomically since the early 1970s, the area was responsible for only 8 per cent of the industry's exports last year, by no means enough to offset the gloomy situation elsewhere.

German engineering companies have become well aware that their future lies in concentration on specialised and highly sophisticated rather than standard products, which less developed countries are increasingly able to produce at considerably lower cost.

In past years, they have lagged behind the U.S. and Japan in the introduction of numerically controlled machines, where the operator is a computer rather than a skilled worker. But the German businessman is being forced to shed some of his digital scepticism, being gradually persuaded of the flexibility and the cost savings derived from going n/c.

Thus, while the overall outlook for the industry remains opaque, with capacity utilisation a low 81 per cent and exports showing no real movement in the first eight months at DM 31bn, investments seem likely to advance significantly. During 1977, they totalled some DM 3.7bn compared with the industry's total turnover of DM 98bn. If the crystal gazers are right, though, investment spending should shoot up by a real 12 per cent or more this year, with low interest rates providing a timely stimulus.

**Andrew Fisher**

# CONSTRUCTION

## Overseas work still growing

WEST GERMANY'S construction industry was—until the beginning of this decade—relatively unknown overseas. But in seven brief years it has built itself a reputation for being one of the most outward-looking industries in a traditionally export-minded country.

The Federal Republic's construction giants have carved themselves a rich slice of the valuable Middle Eastern market and are also elbowing their way into the territories of their international competitors.

Before 1970, the industry was almost entirely domestically orientated, but nowadays the major building concerns generate virtually 50 per cent of the business abroad.

This comparative slowness in the growth of the industry's awareness of its opportunities overseas may come as a surprise to foreign observers, but it must be remembered that the task of reconstructing the war-shattered country kept order books overflowing through the *1950s and early 1960s.*

After the period of reconstruction, the industry grew fat on building the concrete and glass monuments to the "economic miracle."

Indeed, the thrust into overseas markets came about not as a result of a blinding revelation of the truth, but in response to a recession that took the industry by surprise. The domestic market took a turn for the worse in the early 1970s and is only now showing signs of recovery.

The recession drove many of the country's small building firms out of business and bit deep into the profits of the majors. The collapse of the pre-oil crisis property boom racked up losses for the Federal Republic's property developers—including a number of large banks—and confidence has been slow in returning.

But if the realisation of the opportunities presented in the overseas markets came slowly, its effect on the West German construction giants has been profound.

### Dramatic

An analysis of the leading concerns' balance sheets provides a dramatic illustration of the effectiveness of their sales drive.

For instance, Hochtief, in 1973, reported a building output worth DM 2.11bn, of this only 13 per cent was undertaken *overseas. By 1977, however,* construction output amounted to DM 3.61bn, of which work abroad contributed 49 per cent.

The inflow of orders, naturally, reflects the same trend. In 1973 the concern booked orders worth DM 2.08bn of which only 7 per cent came from abroad.

By last year, the inflow totalled DM 3.75bn and the proportion from overseas 54 per cent.

At the end of last year, Hochtief's order book stood at DM 4.55bn of which 63 per cent were foreign bookings. This compares with 1973's order book of DM 2.03bn, the *overseas* proportion of which was just 16 per cent.

The same is true of Philipp Holzmann and Bilfinger & Berger. Of Holzmann's construction output in 1973 which totalled DM2.07bn, only 7 per cent took place overseas. At the end of last year output had risen to DM3.32bn and the overseas percentage to 50 per cent.

Bilfinger's 1973 output amounted to DM1bn, of which 18 per cent was abroad, while the proportion of foreign work totalled 18 per cent. By the end of last year these figures had risen to DM2.31 and 65 per cent.

Holzmann's order inflow in 1973 totalled DM2.27bn, with 22 per cent coming from abroad, while the order book amounted to DM2.16bn, of which 30 per cent were foreign bookings.

At the end of 1977 some 41 per cent of the DM3.18bn order inflow was from abroad, while foreign bookings accounted for 75 per cent of the DM5.02bn order book.

Some 19 per cent of Bilfinger's DM1.01bn order inflow in 1973 came from overseas, compared with 1977's 59 per cent of the DM1.99bn inflow. The rise in the importance of foreign orders in the total order book, however, has not been so dramatic.

In 1973 14.4 per cent of the DM896m order book came from abroad, but by the end of last year this proportion had increased to 26.8 per cent of its DM2.22bn *order position.*

This drive for overseas business has not always been marked with success. Most of the leading construction concerns will admit that mistakes were made in the early days which often bit deep into profits. This, however, was to be expected and, it has to be admitted, the Germans learn fast. Although competition for plum overseas contracts is tough, the majors feel that they have the right formula. The emphasis appears to be more on quality than on cost and specialisation, in specific areas of expertise.

But the move overseas has not always been an unparalleled success. Beton und Monierbau, whose troubles became embarrassingly apparent this year, followed the same path as its West German competitors.

In 1973, only 15 per cent of its DM882m construction output came from abroad, together with 21 per cent of its DM 630m order book. By the end of last year 63 per cent of its DM 1.61bn output was overseas, while foreign bookings accounted for 74 per cent of the group's DM 2.06bn order book. Loss-making foreign projects, however, were the main contributing factor to the group's difficulties.

If things for most of the concerns are going well abroad there appears to prospects of considerable improvement in the situation on the home front.

After seven lean years analysts are predicting that a West German property and construction boom is on the way.

Domestic orders both for residential and commercial buildings appear to be on the upturn, although a few more months will be needed for the *trend to be confirmed.*

While this is undoubtedly welcome, a fast improvement in the domestic situation could cause the West German building groups problems. Even during the recession there was an incipient shortage of skilled craftsmen and an upturn in domestic construction is likely to exacerbate this situation.

Here the difficulty is caused by the nature of the industry coupled with the fact that many men were laid off during the domestic recession, a large proportion of whom are unlikely to return to the industry.

In a country where workers put a high emphasis on job security, the construction industry suffers from a tarnished image. The very nature of the industry requires men to travel from site to site as jobs are completed and then there are the winter months when construction work in many parts of the country is impossible.

### Recruits

Pay rates in the building field are not particularly good by German standards and therefore the calibre of recruits to the industry's workforce rarely came from the top of the educational barrel. Added to this, the period of recession considerably damped down the number of young people taken in for craft training and the industry's depleted labour reserve will need time to stock up.

Already a substantial proportion of the construction concerns' labour force are drawn from the ranks of the "guest workers." The bulk of these however, are relatively unskilled.

*While craftsmen from* countries such as Italy, Yugoslavia and Turkey readily find work in the industry, training standards are far from uniform and frequently the level of skills are insufficient to meet the exacting needs of modern construction operations.

The construction concerns have been trying to plug the gap with recruitment from other advanced European countries and many British craftsmen are now working in West Germany for wages which—although not particularly attractive by German standards — are very high compared with British pay scales.

Analysts here argue that the construction industry's future performance will increasingly depend on its ability to attract skilled craftsmen from abroad, at least in the short-term.

If it fails to do so, an early upturn in domestic construction activity could open the *flood*gates to foreign competition in the West German construction concern's home market.

G.H.

# ELECTRICAL INDUSTRY

## Heavy dependence on exports

IN SPITE of its underlying strength the West German electrical industry is now entering a period of uncertainty, mainly because its heavy dependence on export markets makes it vulnerable to the upward shift in the Deutschemark.

In the first half of the year the industry reported a healthy increase in orders, but most of this was accounted for by domestic business.

The worrying point for the larger exporting companies was that foreign orders showed a decline compared with the same period last year. Export sales have continued upwards, reflecting the increased orders last year. But the outlook must be for a little or no increase in foreign sales in the early part of the next year unless there is a substantial improvement in demand by the end of 1978.

### Surplus

With 40 per cent of its production exported, the industry enjoyed a surplus on the balance of trade of DM 14bn (£3.7bn) last year.

Total sales have increased by 40 per cent to nearly DM 90bn (£23.8bn) between 1972 and 1977. In the same period exports rose 84 per cent to DM 31bn. However, imports have been rising even faster. (They nearly doubled in the five year period and last year increased 12 per cent on the pre*vious year's figure to DM 17.5bn* (£4.6bn).

Most other European countries can only regard such figures with envy, mixed perhaps with a faint relief that Germany is beginning to import relatively more electrical goods than before.

The half-year order figures released by the Centre Association of the West German Electricals Industry (ZVEI) show the total order intake from January to June is up by 4.6 per cent to DM 46.5bn. Domestic orders, however, were up by nearly 8 per cent and foreign orders down by just over 2 per cent.

To British eyes these figures do not appear to be anything to worry about. After all, the German electrical and electronics industries have shown a spectacular growth over the last decade, with consistent increases in production and exports apart *from the recession of 1975.*

However, from the German industry's point of view the trend of rising imports and sluggish export orders is beginning to seem rather worrying, despite the generally buoyant state of sales.

In March this year, Dr. Hans Goehringer, chairman of the ZVEI was predicting a growth of only about 4 per cent in the sector's production compared with last year's 6.8 per cent and a further decline in the labour force which was 986,000 last year. The improvement in domestic demand since then makes the outlook rather brighter.

However, the continued pressure on margins resulting from the increase in the value of the Deutsche Mark is likely to create difficulties for the investment plans of some companies.

The anxiety which the industry now feels about overseas sales was underlined earlier this month by figures produced by Siemens, the largest employer in West Germany.

Siemens, sales of DM 25.2bn are second only to those of Veba the chemicals group and represent 28 per cent of the total of the German electrical and electronics industry. Its progress and views are therefore a good barometer of the whole industry, especially because its policy is to be in everything electrical, and nothing but electricals.

Siemens' figures show that the West German electricals market is only about 8 per cent of the world total of $410bn.

The whole of the EEC accounts for about 22 per cent of the world market with North *America at 30* per cent and Japan 13 per cent. Although the world market is expected to grow by about 12 per cent to $464bn in 1980, Siemens expects growth in Europe to be relatively slow.

The moral is clear: companies which wish to maintain their position in the world market must step up exports particularly to the U.S. and Canada.

This point is underlined by the order figures published by Siemens in August. They showed the company had increased domestic orders in the nine months to the end of June by 8 per cent (compared with the same period in the previous year) to DM 2.45bn, but international orders were down by 3 per cent.

Siemens has been following the logic of its own analysis with a major effort to increase its presence in the U.S. market. After a slow and relatively modest build up of U.S. sales in the last two decades—based initially on medical equipment —Siemens now appears to be entering a new phase of expansion based on some quite major acquisitions.

The two most important were the purchase of 50 per cent of the heavy electrical interests of Allis Chalmers and a 20 per cent stake in one of the larger of the second range semi-conductor companies, Advanced Micro Devices.

These purchases have been supplemented with acquisitions of a number of smaller companies like Litronix which makes opto-electronic displays and light emitting diodes. Siemens is beginning to emerge *as a significant supplier of com*ponents in the U.S.

As a result of its acquisition policy, Siemens now has a quite impressive list of 10 subsidiaries or associated companies, whose products range from heavy electrical engineering through photo-typesetting, numerical control for machine tools and micro-computers to semi-conductor components.

These acquisitions have been part of a carefully laid strategy to buy only companies which would dovetail into Siemens's existing operations by adding market strength or production know-how.

The Allis-Chalmers joint venture is particularly interesting in view of Siemens' purchase in 1976 of AEG-Telefunken's share in the Kraftwerk-Union power engineering and nuclear combine. It raises the possibility that Siemens might become a major competitor to Westinghouse and U.S. General Electric in the manufacture of power stations in the U.S.

While Siemens continues to grow and to consolidate its strong cash position, the fortunes of the second largest German electrical group AEG, seem as problematic as ever.

AEG is the ninth largest West German company with a turnover of DM 14.29bn, but it has not paid a dividend to its shareholders for the past four years. There seems little prospect that it will pay a dividend this year either, and prospects of increased profitability in 1979 do not look too optimistic.

AEG's problems arose mainly from its disastrous venture into the nuclear power business, which is still reverberating on the company two years after it sold its shareholding in Kraftwerk-Union.

In September it was announced that AEG would pay $614m to Siemens *in respect of* its losses in the nuclear power business.

This is money with which it can ill afford to part, consider-

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## AEROSPACE

# Partner in major programmes

THE WEST German aerospace industry, half the size of the French and no more than a quarter the size of the British in terms of the 50,000 people it employs, has long enjoyed a pivotal role in Europe and has seen this, if anything, strengthened in 1978.

Perhaps because it has had no choice, the industry has been a more steadfast and less ambivalent partner in the big European joint aircraft programmes, both civil and military, than either Britain or France. Its sole attempt to go it alone on a major project, the short-haul VFW 614 jet airliner, had to be shut down for lack of orders last December, leaving the industry and the federal Government more convinced than ever of the need to concentrate resources on civil projects of proven viability and, in the military field, to work all-out for greater co-operation.

The European Airbus programme is for the present the main concern of Government and industry alike, for in the military sphere no major decisions need to be taken for a year or two. Germany is proud of its half-share in the airbus, though not chauvinistic. It does not seem unduly sensitive to the fact that France has often been more closely identified with the aircraft in the U.S. or even British public mind. But what gratifies the German Government, and no-one more than Herr Martin Gruener, State Secretary in charge of co-ordinating aerospace policy, is that the airbus project is commercially successful. For Herr Gruener, this is the foundation on which should be built the more integrated European aircraft industry of the future, and from which this can develop into a true competitor with the U.S.

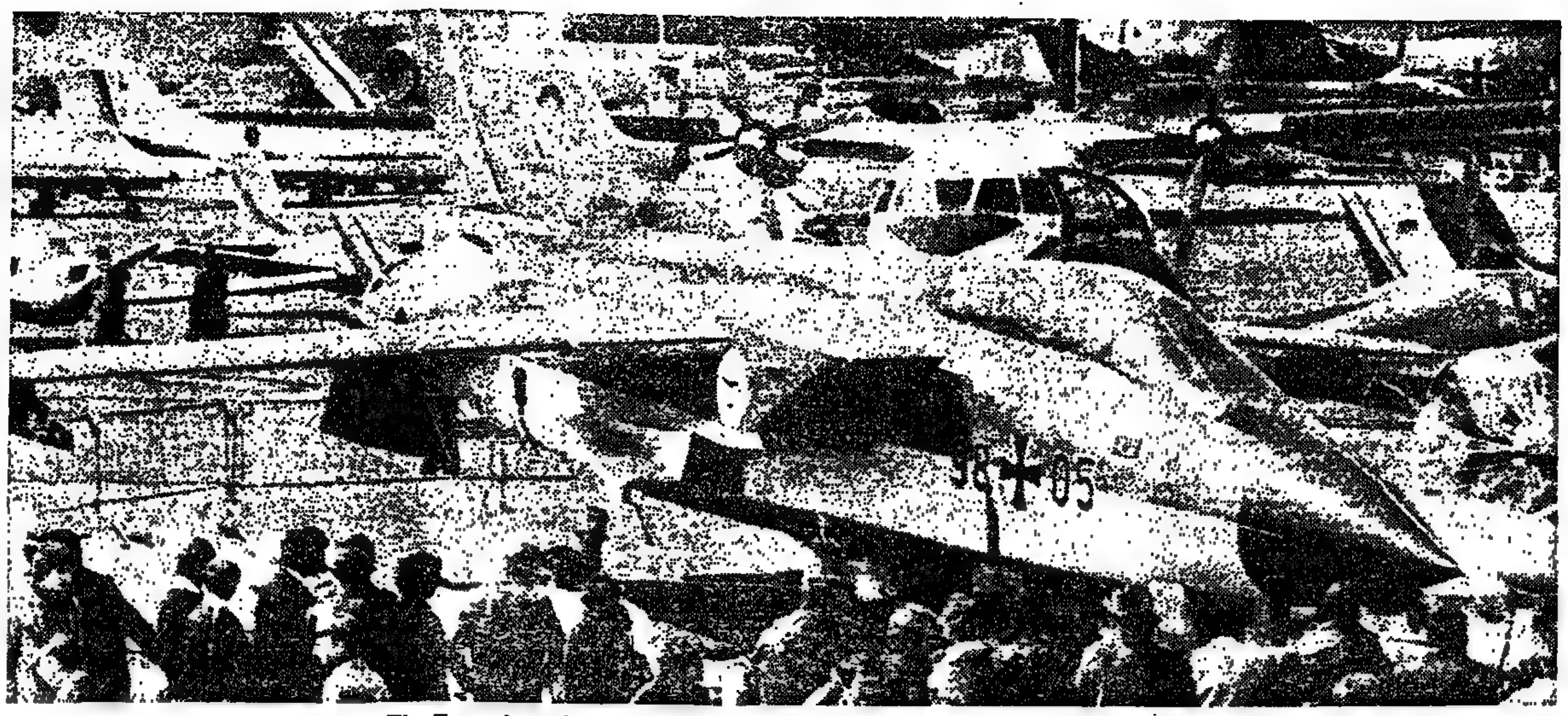
The alternative to integration, as the Germans see it, would be for the European companies to soldier on alone for a while, and then to find themselves obliged to become mere sub-contractors to the American giants. Such was the fate which Germany believes would have befallen British Aerospace had it thrown in its lot wholly with Boeing. Herr Gruener and his officials have played a crucial mediator's role between Britain and France all this summer over British terms for joining in developing the smaller A310 version of the airbus. They have done so not merely for the sake of broader European political aims, but because a common aerospace industry without British participation would be very much a second-best solution.

At the purely industrial level, there is a certain paradox in the Germans' steady enthusiasm for British partnership and their quiet diplomacy to help bring it about. For German aerospace plants suffer from overcapacity no less than those in Britain or France, and none more so than those of the troubled German-Dutch group, Vereinigte Flugtechnische Werke-Fokker. The company had done extensive development of its own, partly funded by Bonn, on designs for super-critical wings—the part of the A310 earmarked for Britain. This summer, it was all set to begin manufacture. None the less, even VFW-Fokker executives themselves insist that the strengthening of the Airbus Industrie consortium and the spreading of risk by taking in new partners are far more solid gains.

As for the A310 itself, Government and industry are both optimistic about the sales outlook, partly on the basis of the solid launching orders received this summer, and partly because of the success of the Airbus consortium in selling the larger B-2 and BA4 versions of the airbus. In principle, the German Government is now ready to go ahead with funding the first stages of detailed design work this autumn, with a view to beginning production of parts by early next year. That will be the beginning of an investment which will probably cost Bonn about DM 1.6bn (£420m).

With the two versions of the A300 in full swing and the A310 now on the point of becoming an industrial reality, the Germans feel that the centrepiece of European civil aviation co-operation is in place. There is markedly less enthusiasm in Bonn than in Paris for the two proposed joint European transport narrow-bodied types, spoken of by their more enthusiastic supporters as an inseparable part of the airbus "family." For the time being the two current airbus programmes will take up all the financial resources the German Government wants to commit to civil aircraft, although naturally it counts on seeing a return on its investment in the airbus in a few years' time. More to the point, however, there appears to be no agreement among manufacturers as to the specifications of the two jet projects, and little firm sign of interest from airline customers. So far as Bonn is concerned, the jets remain very much at the theoretical stage, as do plans for joint production between European manufacturers and McDonnell Douglas of the U.S. of the so-called advanced technology medium-range airliner.

Besides Airbus Industrie, the existing pillars of European co-operation in the aerospace industry are the Panavia consortium, now carrying out full-scale production of the Tornado multi-role combat aircraft, the Euromissile group that has developed the Roland, Hot, Milan and Kormoran systems, and the helicopter-manufacturing group expected shortly to be formed around the wishes of European Governments to develop an advanced generation of military types for the 1980s. In addition to these major projects, Messerschmitt-Bölkow-Blohm, the largest of the West German aerospace companies and partner in all the consortia, has other bilateral programmes within Europe as well as beyond it. The latter include a co-operation agreement with McDonnell Douglas for the advanced tactical fighter which NATO will need in the 1990s—a project in which VFW-Fokker is also associated.



*The Tornado multi-role combat aircraft, which is now in full production.*

The largest bilateral programme is that between the privately-owned Dornier company and Dassault-Breguet of France for the Alpha-Jet close air support and trainer aircraft. Deliveries to the French, German and Belgian armed forces have now begun, as has implementation of a deal with the Inter-Arab Armaments Procurement Agency in Ciro. Dornier also stands to gain large orders in avionics and instrumentation when final agreement is reached on the proposed European NATO member's airborne warning and control system (AWACS)—a deal in which the German Government is insisting on a more generous attitude on the part of the U.S. towards weapons purchases from its European allies than has been the case hitherto.

It is not yet clear how far any of the programme consortia may lead towards a more permanent form of European integration. Attention in West Germany is for the present focused on the long-discussed proposal for a merger between MBB and at least the German interests of VFW-Fokker. With each group under new top management this autumn, there has been a fresh attempt to discuss terms. Yet there is no sign that either side has changed its basic position. MBB will only hear of a takeover of the more economical West German VFW plants, with the federal and State Governments carrying the cost of closing down the rest. The VFW-Fokker Board, which has also to consider the interests of its Dutch shareholders, appears sufficiently encouraged by the flow of orders for the airbus and for sundry military projects to be trying to hold out for something better than what it regards as abdication to MBB's terms.

Herr Gruener, for the Bonn Government, is anxious to see a solution that would give West Germany for the first time a single large company able to speak with a single voice, and on a more equal footing, in international aerospace affairs. In theory Bonn has a means of putting pressure on VFW-Fokker because of the massive assistance it had to provide after abandonment of the VFW 614. In practice, however, this lever has proved hard to use.

For a start, Bonn is hesitant to appear to be pushing the industry around. Although it has the power to do this, both through financing of civil projects and through the awarding of military orders, it is committed to the idea of a privately-owned aerospace industry that might, with good products, even achieve a measure of real financial strength. This position has, however, been greatly complicated by the large shares now held by State Governments. Bavaria and Hamburg between them now own some 46 per cent of MBB, while Bremen has recently bought a large chunk of VFW. In each case, the local political leaders feel they need a seat on the Board when, inevitably, the question of redundancies from the older plants comes up.

**A.D.**

## ELECTRICAL

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ing that its operating surplus last year was only DM 8m ($3.8m). However, AEG should benefit from the improvement in the German domestic consumer goods market, a sector which accounts for about a third of its sales.

However, this is a sector where margins have been under pressure for some time.

In the long term it may benefit from the cash which it has been spending on streamlining its consumer goods and office equipment operations, but this also remains to be seen.

Overall, the most promising sector of the German electrical industry has been data processing which showed a growth of nearly 30 per cent last year, on the 1976 level.

Although the computer market is dominated by International Business Machines with about 60 per cent of total sales, a number of German companies are showing increasing strength in the manufacture of mini-computers and small business systems.

Siemens, which has for many years supported a loss-making computer division, probably has about 17 per cent to 18 per cent of the market, mainly with smaller systems. It has now agreed to market Fujitu's larger machine to supplement its own range.

### Strategy

This agreement to market a foreign system at the top end of the range accords with the German Government's strategy of supporting the development of smaller systems. In its third four-year support programme (1976-79), the Government is spending some $625m in matching research and development grants for companies making small systems peripheral equipment and terminals.

The beneficiaries, besides Siemens, include Nixdorf, Philips GmbH, Triumph Werke, Kienzle, Anker Werks and Matthias Hohner. Last year's increase in production seems to indicate that the strategy is beginning to pay off, although it is probably too early to see much benefit from the current investment programme.

Data processing is an area in which German industry is just holding its own against imports with a positive balance of trade of DM 115m last year.

The largest export earner is the heavy electrical sector with a positive balance of trade of DM 6.75bn. The only sector which is a net importer is electronic components with an adverse balance of DM 113m.

This reflects the weakness throughout Europe in semi-conductor manufacture and the consequent large volume of imports from the U.S. of computer memory and other components. German production of components increased by less than 1 per cent last year.

Siemens, the main integrated circuit manufacturer, seems determined, however, to stay in the business, and with the help of Government subsidy it may yet emerge as a profitable producer of standard components.

**Max Wilkinson**

## CHEMICALS

# Still in the doldrums

THE LOW level of world economic activity has depressed the sales of the powerful West German chemicals industry for nearly two years. Profits which had shown a substantial recovery in 1976, fell steadily from the final quarter of that year until the end of the first half 1978.

However, despite the news that the industry is unlikely to meet its own modest growth targets for the year as a whole, there are indications that things are now on the upturn.

Hoechst, one of the industry's "big three," reported last month that earnings had recovered since the first quarter of 1978 when they slid by 25 per cent against the performance in the comparable quarter of 1977. Professor Rolf Sammet, the concern's chief executive, reported that world-wide earnings were expected to be maintained for the year as a whole at 1977's level.

While this means that they are likely to stay at around the DM 825m point, it must be remembered that in 1977 Hoescht saw its earnings plunge from the recovery year 1976's DM 980m. Still, as Professor Sammet said, the current mood in the group is one of "mild optimism" rather than that unmitigated gloom which followed the first five months' performance.

As its two great rivals, BASF and Bayer, have still to report, there are no concrete indications that they have experienced a similar trend. However, the performance of the "big three"—all excellently managed concerns—tend to more-or-less mirror each other, there are good grounds for hoping that modest general improvement is on the way.

Modest or not, the improvement is in stark contrast to the industry's position at the half-year mark. In July the industry's trade association, the Verband Der Chemischen Industry (VCI), reported that sales during the first five months of 1978 were running at about 1 per cent below the previous year's level.

Profits which, industry-wide, had dropped by 18 per cent in 1977, had shown an even steeper decline in 1978 despite far-reaching rationalisation measures throughout the sector. In the first quarter of the year the average drop in earnings was 25 per cent compared with the first three months of 1977.

Admittedly first quarter 1977 was the best three months of the year. Earnings went into a deep decline and, naturally, 1978's first quarter was bound to look particularly bad when measured against last year's counterpart. However, the best the industry could hope for, said the VCI, was a first-half performance which showed sales stagnating at about the same level as in the comparable period of 1977.

The underlying reasons for the industry's difficulties has been tough price competition from foreign competitors, particularly in the bulk products sector. In the opening five months of the year producer prices fell back 1.7 per cent—a heavy drop in an industry where low margins are the rule rather than the exception.

Export prices were under very heavy pressure, said the VCI. In the first five months of the year they had decreased by 4 per cent compared with 1977's levels. Declining prices mean that the industry could no longer bank upon the modest 3 per cent production growth targeted for the year.

The VCI contends that the low level of world economic activity is by no means the sole cause of the industry's problems. In many countries there are distinct trends towards protectionism and price market control. Naturally the appreciation of the DM against the other world trading currencies, particularly the dollar, has squeezed margins and, although it has had the effect of lowering the costs of basic raw materials, such as oil, it has severely blunted the West German's competitive edge.

The industry, however, was continuing to hold on to its markets and compete with its foreign rivals despite its extraordinary difficulties, said the VCI. But at the same time, the Verband appealed for "strict and fast" measures against dumping practices and low-priced imports in order to head off moves towards protectionism in some of the world's most important markets.

Rationalisation has continued apace throughout the 1970s as the industry's answer to the problems caused by the appreciating DM and steeply rising labour costs. On the labour front the industry's overheads are among the highest in the world with the effects of high wages exacerbated further by the extraordinarily high level of fringe benefits that workers throughout the industry enjoy.

While the chemicals industry is capital intensive rather than labour intensive, these high labour costs have a profound effect on the industry's ability to compete internationally. Quite frequently the cost of fringe benefits double the wage costs. For a couple of years in a row at BASF, for instance, more than DM 100 in fringe benefits was paid out for every DM 100 of pure wages. Although last year the figure dropped back to slightly below the DM 100 point, wages had, of course, risen and the fringe benefit burden in real terms remained as high as ever.

In the view of the VCI and the industry as a whole, its best prospects for maintaining and improving its international competitiveness comes from concentrated capital investment and exhaustive research. Last year, the West German chemicals industry invested a total of DM 5.4bn, while research spending amounted to DM 4.5bn.

### Research

This year research and development and investment spending is unlikely to decline. At the same time the industry is likely to step up even further its capital investment overseas. The new bargain-price dollar has encouraged the majors in the industry to look enthusiastically at the U.S. for the past couple of years and acquisitions as well as the construction of production facilities there are absorbing the lion's share of the industry's foreign investment cash.

Although it is claimed that despite the fall in the dollar's value, capital investment in the chemicals industry in North America costs some 25 per cent more than in the Federal Republic, there are no signs of a let up in the pace of expansion in the market. Set against the high initial out-lay are the subsequent advantages of lower operating costs and improved ability to deliver.

The industry's proble[illegible] children remain the plast[illegible] sector, fertilisers and man-ma[illegible] fibres—although it appears t[illegible] no great deal has been done [illegible] reduce the losses in the fib[illegible] sector, including the clos[illegible] down of the less efficient plan[illegible] In all these sectors, of cou[illegible] the world market is in a [illegible] siderable state of over-supp[illegible]

It is perhaps ironical that [illegible] German chemicals industry [illegible] played an important role [illegible] bringing some of these proble[illegible] on its own head. Much of [illegible] over supply in world marke[illegible] particularly in the fertilis[illegible] and man-made fibres sect[illegible] stems from the increas[illegible] quantities of the products [illegible] ing into Western markets fr[illegible] Eastern Europe—and the W[illegible] Germans have played a la[illegible] part in developing the East[illegible] bloc's chemicals industry eith[illegible] through the sale of licences [illegible] the constructing of producti[illegible] plant.

However, before the indus[illegible] is condemned for short-sighte[illegible] ness, it seems fair to argue [illegible] it had very little choice in [illegible] matter. If the West Germa[illegible] had not supplied the plant a[illegible] licences, the orders would ha[illegible] been placed with competin[illegible] nations and the West Germa[illegible] would have had no bene[illegible] from the deals at all.

G.E[illegible]



## RETAILING

# Better prospects

THE GERMAN CONSUMER is a conservative person whose response to a recession and rising unemployment is to save as much money as possible. At the depth of post-oil crisis recessions, the savings rate rose to 16 per cent and, as can be expected, it was the retailer who suffered.

Through 1976 the savings rate remained at the 14.4 per cent level and it was not until the final half of 1977 that it has dropped back to 13 per cent of net income.

Although there is clearly more money in the consumers' pocket, sales growth in the retailing sector has been meagre. Last year it rose by a nominal 6.9 per cent and the sales expansion was uneven from product group to product group.

The savings rate has fallen to its lowest level for years, but even so it remains high in comparison with those of other nations. Besides, the consumer has had very specific demands on his or her cash—one of the most important of which has been replacement of the car which was delayed as a result of the oil crisis.

Domestic car sales are still running high despite predictions that the peak of the boom is past. But although the motor industry's domestic sales growth has slowed considerably this year, it remains the main beneficiary of the cash available for consumption.

Figures issued by the Federal Statistical Office in Wiesbaden last month showed that growth rates yet again have been relatively unspectacular. During the first eight months of the year, the retailers' turnoved increased by a nominal 6 per cent.

Measured against 1970 values the improvement was a rather more modest 4 per cent.

For the country's major department store groups, the past couple of years have been ones of sales stagnation. Last year turnover in the department store sector rose by only a nominal 2.2 per cent—a rate which failed to keep pace with the overall increase in sales space.

At Karstadt, Europe's largest department store group, sales last year rose by 5.9 per cent to DM8.4bn. The group's sales space, however, rose by 14.1 per cent during the same period.

Karstadt is probably not the best example as the group has been much occupied with its rescue of the ailing Neckermann group, the large department store and mail order concern.

The picture at Kaufhof, West Germany's second largest department store chain, was rather less extreme. In 1977 sales went up by a mere 2.2 per cent, while the concern's sales space increased by 3.3 per cent.

But Kaufhof, the sales of which last year totalled DM 7.09bn, did rather better than Hertie which saw sales rise by a miserable 0.7 per cent to DM 6.3bn, while its total sales area increased 1.1 per cent. At Horten, last year's turnover improved by 0.1 per cent against an increase of 1.9 per cent [illegible] sales space.

In comparison with the de[illegible] partment stores' performance other retailing sectors hav[illegible] done considerably better. Chain operations, specialising in [illegible] narrow product group range saw turnover rise 10.5 per cent while mail-order sales rose 9.[illegible] per cent. The consumer co-operative stores saw turnover rise 7.6 per cent, while specialised retailers reported [illegible] 5.9 per cent sales increase.

Prospects for the department store sector are looking a little better this year, although sales growth is unlikely to be breath-taking. Kaufhof, for instance

CONTINUED ON NEXT PAGE

*A shop window in Königsallee, Dusseldorf*

# MOTORS

# Concern over imports rise

THE West German car manufacturers will long remember the past two years. Order books have been full to overflowing and the Federal Republic's dealers can sell every vehicle they can lay their hands on.

In the commercial sector, however, the picture is rather less rosy. Demand has been declining, particularly in the export markets and production, which last year dropped by 2 per cent compared with the 1976 performance, has suffered further attrition this year.

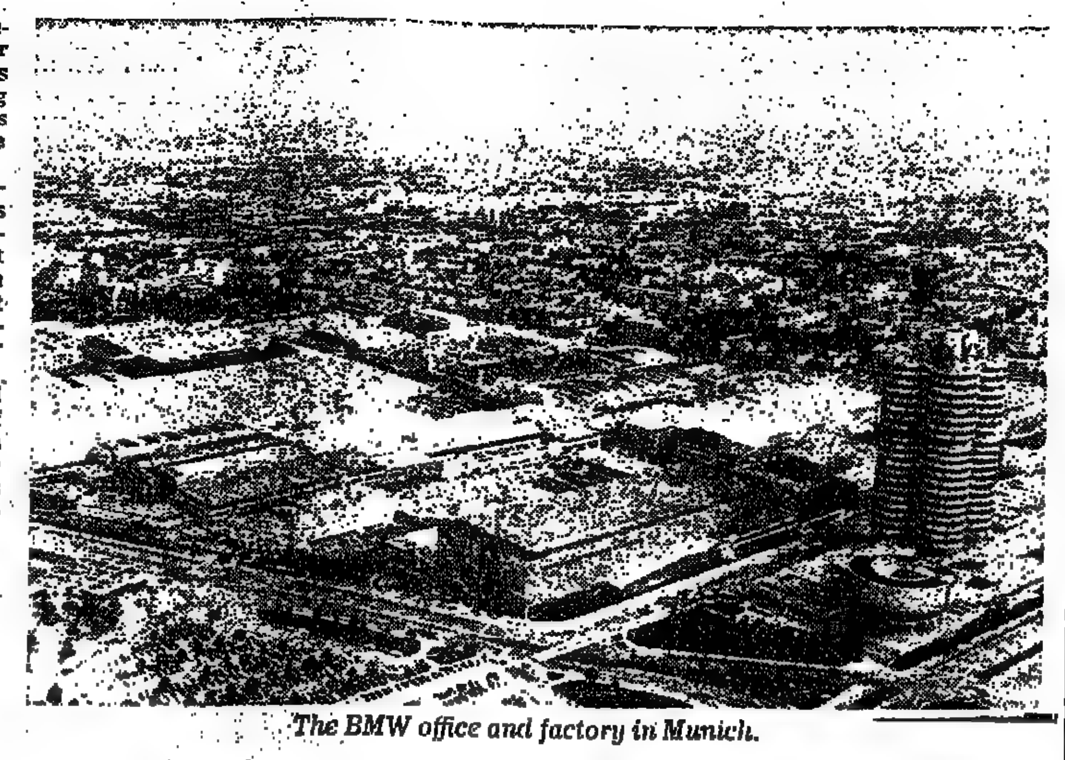
Last year the industry turned out just over 4.1m vehicles of all types—6 per cent more than were produced in 1976. If the growth rate was not as spectacular as in 1976 when output rose by 21.4 per cent, it should be remembered that not only did commercial vehicle production decline but a period of consolidation was expected.

The car manufacturers saw output increase by 7 per cent to just under 3.55m units. The Federal Republic's car plants were operating a full capacity and delivery periods lengthened for even the mass car manufacturers.

Exports rose despite the strength of the D-Mark, with car and estate vehicle sales up 11 per cent to 1.94m units. While car sales were still well below 1973's vintage 2.17m units the industry still had good grounds for satisfaction.

This year car and estate vehicle production is still moving inexorably upwards. The Verband Der Automobilindustrie, the industry's trade association, reported a production growth of 4 per cent for the first eight months when output totalled 2.54m.

The commercial vehicle sector saw a further heavy erosion of its output which declined by 9 per cent compared with the same period of 1977. Underlying the drop is a heavy fall in overseas demand for the industry's products. Exports in the commercial vehicle sector, which also dropped back last year, were off by a full 17 per cent in the first eight months to 103,860 units.



*The BMW office and factory in Munich.*

## Slower

In the car sector exports have also increased at a slower rate than expected. During the period under review they went up by 4 per cent to 1.23m units.

While general overseas demand has not been particularly strong, there is little doubt that the industry has been hard hit by the rise in the value of the Deutsche mark against the dollar. The effects of this have also been felt at home where imports have shown particularly strong growth.

Domestic registrations of private cars increased by only 3.6 per cent during the first half of the year, compared with 9.9 per cent in the same period of 1977. However, the proportion of imports in the more than 1.5m registrations was up from 1977's 21.5 per cent to 24.1 per cent.

The car manufacturers are clearly showing deep concern at the rate at which imports are increasing. However, with order books full, their plants running virtually flat out and delivery periods lengthening there is little they can do to stem the inflows.

For the mass motor manufacturers the rapid expansion of Japanese shipments to the federal republic are particularly worrying. By the end of the first half year, Japanese car registrations in West Germany were up by 58.7 per cent on those of the opening six months of 1977...

Admittedly, there has been very little competition from the Japanese car makers in the German market to date and their market share remains tiny—they sold 48,118 units here in the first six months. But their marketing strategy is as aggressive as in other world markets and there is little to criticise in the products from the quality viewpoint.

The West Germans fear that Japanese pressure in the domestic market is bound to increase especially if there are further curbs on their sales in the U.S. market. As Japanese labour costs are very much lower than in West Germany, where the car industry pays among the highest labour rates in the world, price competition is very keen.

Despite the German workers' high reputation, productivity in the industry is claimed to be considerably lower than in the U.S. or Japan. According to Mr. James F. Walters Jr., the chief executive of Adam Opel, there is little the industry can do to improve the situation.

Productivity standards in Germany lag behind those of the U.S. primarily because there are fewer work days on the calendar than in North America. This, he said, was also true of Japan, where output rates per worker were also enhanced by a much higher level of work intensity.

A GM spokesman in Antwerp claimed that the cars had been brought in to draw customers to the show rooms to take a look at its latest American models. But while GM is keeping very quiet about its plans, some observers believe it could be the prelude to a major American assault on the quality car market.

Both cars come especially equipped for the European market and are fitted out to comply with Germany's strict regulations. Furthermore, the major change that has taken place in U.S. car design—forced on Detroit by stricter fuel consumption and exhaust emission standards — has resulted in smaller, lighter vehicles which are much nearer those of the European producers.

## Styling

Although they are still very American in styling and accessories, GM believes the new look of its standard cars will appeal to Europeans. So far this belief has been confirmed. Starting from a small base, GM has been raising its imports of U.S.-made cars by 30 per cent a year for the past three years. Projected sales for 1978 are 20,000 vehicles, but by next year the figures will have risen by another 30 per cent to 26,000 units.

Prices are very competitive with the Camaro selling for DM17,700—about the price one would expect to pay for one of the smaller BMWs. Not only that, GM has reduced its prices twice already this year: first by 3 per cent and then by 4.4 per cent. This was not so much a matter of generosity as the effect of the falling dollar.

West German car industry executives concede that the U.S. products are likely to offer real competition at the upper end of the market. They admit that the Americans could bite into the sector dominated by BMW and Daimler-Benz whose order books are so full that customers are being quoted irritatingly long delivery periods.

The West German motor manufacturers are trying to offset these difficulties by stepping up their rationalisation programmes. All manufacturers from Daimler-Benz and BMW at the top of the tree to the popular car producers such as Volkswagen and Adam Opel, are devoting a growing proportion of the capital investment programmes to rationalisation measures.

Opel, for instance, is in the middle of a DM 5bn investment programme which involves only a very small increase in new production plant. The bulk of the money will be going into increased automation and the elimination of bottle-necks in its existing factories.

At the top end of the trade, German manufacturers for the first time started noticing competition from Detroit. Although, industry forecasts last year indicated that there would be little competition in the European market from the U.S. car makers until the 1980s. The fall in the Dollar's value appears to have brought forward the deadline.

First into the German market has been General Motors, which owns the highly profitable Opel concern. Although it has been rather shy of declaring its intent it has been testing the market's response to the American industry's new products.

So far two cars have been offered for sale—the Chevrolet Camaro sports car and the Chevrolet Malibu Classic saloon. Although the number of cars imported is very small, GM concedes that the reception has been very good. Indeed, one industry source stated that the special Camaro series sold out immediately.

**G.H.**

# RETAILING

CONTINUED FROM PREVIOUS PAGE

reported that sales during the first half were up by 4.9 per cent, while sales space rose by just 1.1 per cent.

Furthermore, for the first time in three years it looks as though the department store groups will again start to increase their share of the retail market.

In 1975 the department store sector held a 10.4 per cent slice of the market. In 1976 this figure shrank to 9.9 per cent, while last year it fell back to 9.5 per cent.

One reason for this is that the classic department stores have been facing tough competition from the self-service department stores and consumer goods operations. Although the classic department stores have been doing their best to cut back and rationalise their large and expensive staffs, their overheads are obviously far greater than those of their larger competitors.

Last year the self-service operations increased their sales space by "only" 10.9 per cent. In 1976 it rose 13.4 per cent, while the year before that their sales space expanded by a phenomenal 23.8 per cent.

At the beginning of this year the self-service sector commanded more than 6m metres manded more than 6m square metres of sales space, compared with the classic department stores' 5m square metres, and 35m square metres for the traditional branch shops. 5m square meteres for the...

Nearly 90 per cent of the self-service operations, which like their hypermarket counterparts in Britain or France are often local on the edge of town, are competing directly with the department stores. They offer a similar range of products—such as clothing and shoes, household textiles, giftware, household goods and groceries. Naturally, their prices are more than competitive.

Not only that, but the specialised retailer has also lived pretty comfortably in the past couple of years, especially when their performance is compared with the department stores.

In the first half of this year, for example, radio and television shops and those specialising in sports equipment saw sales increase by 15 per cent on the opening six months of 1977.

While the influence of the World Cup played a considerable role in boosting the sales in those sectors, photography shops and shoe shops also did well with a sales rise of about 11 per cent. Bicycle shop sales went up 10 per cent, office equipment specialists nine per cent, stationery and writing requisites seven per cent and furniture six per cent.

But despite this, the big boys are steadily encroaching on the small man's territory. It is forecast that by 1985 the chain stores, department stores, mail-order groups, co-operatives and self-service and hypermarket operations will control some 47 per cent of the entire West German retailing sector.

This will leave just 53 per cent for the small shopkeeper and medium-sized retailing concern. In comparison, the small and medium-sized businesses controlled 74 per cent of the market in 1962.

The process is already well under way and industry analysts claim that the retailing sector is deep in the throes of its largest-ever restructuring.

During the past 15 years, the number of retailing businesses in the Federal Republic has shrunk by around 100,000, from 445,000 to 345,000 and, say the experts, this process is going to continue despite the government regulations protecting the small shopkeeper and the strength of the small man's lobby.

There is little doubt that the concerns which have survived the 15 years' attrition are considerably more efficient for the experience. During those years, sales in the average business have risen by 290 per cent to an average of DM 930,000 per business a year.

At the same time, sales space has increased 119 per cent to 129 sq. metres per shop. Last, but not least, the proportion of shops to residents has gone up by 39 per cent since 1962—from 128 residents per shop to 178.

However, it is becoming increasingly difficult for the small and medium sized shopkeeper to compete with the big league in terms of range and price. Furthermore, there are strong indications that the federal regulations — which strictly control opening hours — are being legally evaded.

Retailing operations are allowed at the main railway stations and airports to cater for the travellers' needs. These are virtually unrestricted as far as opening hours go.

Originally, of course, they were there to provide refreshment to the weary. However, the larger operations have woken up to the opportunity such sites offer and medium-sized department stores and self-service operations are being opened up offering a wide range of goods from clothing to gift articles, radio and televisions to groceries.

As far as the authorities are concerned, it is almost impossible to tell which customer is a bona fide traveller and who is merely taking advantage of some after hours' shopping.

Although the mental image of travellers arriving in their underwear at the clothing departments of such stores may well raise a smile, this new development bodes evil for the small shopkeeper.

**G.H.**

## MUSIC

# Standards high and low

I HAVE before me a daunting, but by no means exhaustive, list of opera performances given in West Germany last week (for example up to and including October 14).

From it I see that among the offerings I missed were *Der Fliegende Holländer (The Flying Dutchman)* in Saarbrücken on Monday, *Boris Godunov* in Aachen on Tuesday, *Otello* in Freiburg on Wednesday, *Falstaff* in Kassel on Thursday, *Il Seraglio* in Wiesbaden on Friday and—rounding off the week nicely—*Die Götterdämmerung (Twilight of the Gods)* in Brunswick on Saturday, starting at 5 pm and presumably, ending before Sunday.

Attendance at all these would have involved some very hard driving on the autobahns (but that, of course, is what Germans do on their autobahns. Perhaps they are all making for the opera). It would also have involved considerable advance planning. For the German subscription booking system—the *Abonnement* — ensures that those frivolously deciding only at the last minute that they wish to go to the opera tend to find all seats taken. The sense of disappointment is dulled only with fury at the scorn with which one is treated at the box office. "A seat for this evening? the last ticket for standing room went last week." The Bayreuth Festival variation of this is: "a seat for this year? Very funny—though you might try American Express in Tokyo."

But assuming you travelled fast, and had all the tickets in advance, that opera tour outlined for last week would have been quite possible. It is doubtful whether it would have been wholly recommendable. For not one of the opera houses mentioned is actually of the very front rank in Germany today (although it must be hastily added, to avoid furious letters, that most of them are fully capable of giving worthy performances).

## Missed

You would, for example, have missed the Bavarian State Opera in Munich—which not only Bavarians consider the best of the lot. You would have failed to see the Hamburg company (which good Hamburg citizens simply know to be the best—but are too mindful of their reputation for balance and pragmatism to trumpet abroad). You would have missed Düsseldorf, Cologne, Frankfurt and Stuttgart—in each of which cities you are bound to hear more than a word of praise about the local opera and more than one ironic dig at the bumbling efforts elsewhere.

Which goes to show that there is an awful lot of opera being performed in an awful lot of German cities for much of the time. With regret, it must also be admitted that some of the performances are just awful.

Those foreigners are in for a big disappointment who assume that because a German house has the ambition to mount, say Berg's *Wozzeck* or Schoenberg's *Moses and Aron*, its standards must approach those of the Met or Covent Garden. It is rare in any opera house anywhere that one hears, for example, perfect horn playing in the opening bars of *Das Rheingold*. Someone usually makes a slip and it was unkind of Wagner to set such hazards so early in the evening, but only in a German opera house, which shall remain nameless, have I heard almost every other note in the passage come out wrong. The performance became better it is true—but largely because that was the only way it could go.

That said, it should be stressed that standards at the very top in Germany are as high as they are anywhere. And it is surely good that so many people throughout the country, not just in a capital or a couple of big cities, have the opportunity of seeing and hearing live performances, however imperfect.

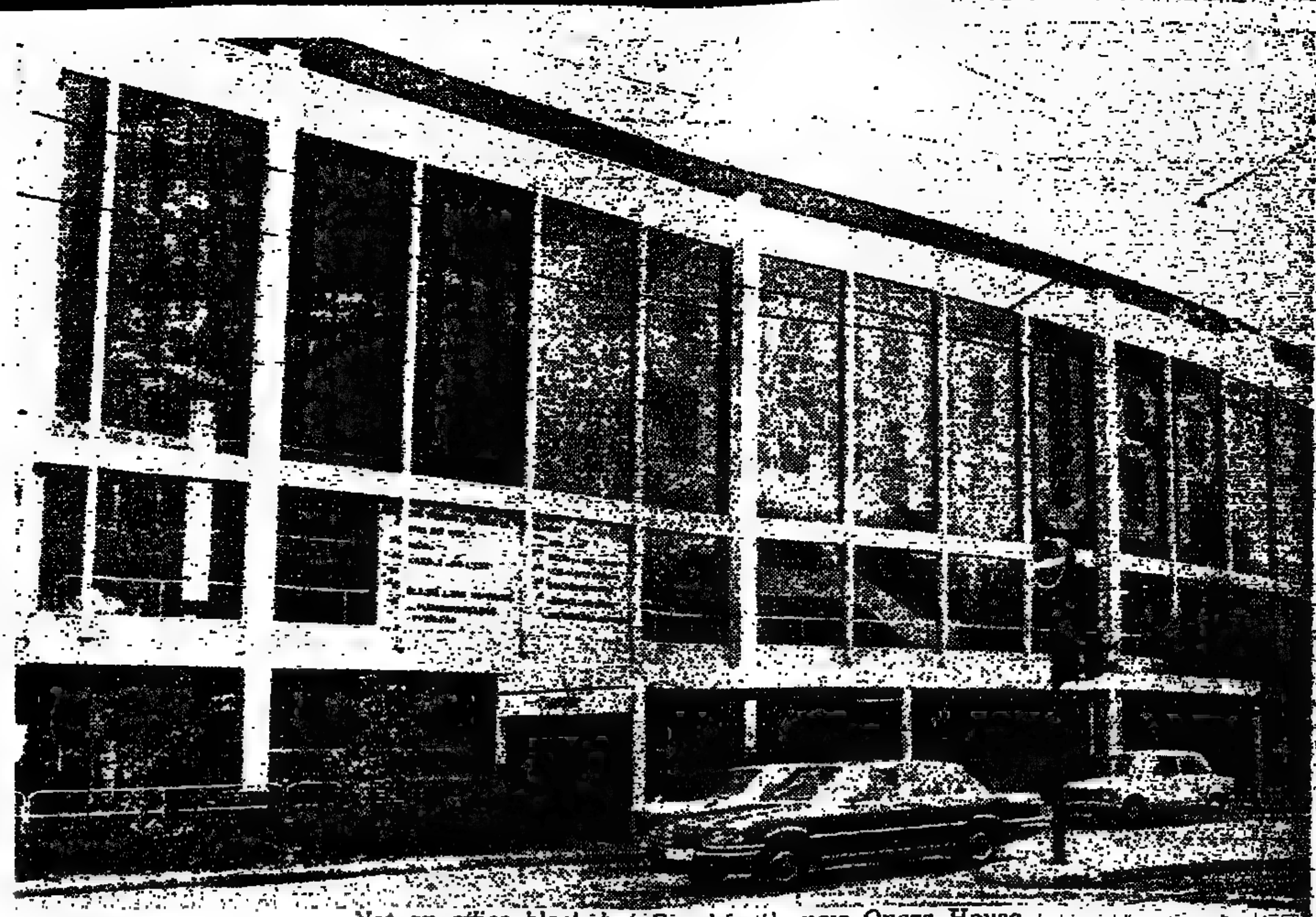
It is sometimes thought that this remarkable geographical spread of stage activity—not just opera—arose thanks to the relative decline of Berlin in the post-war years and the new federal structure of the country. But in fact it harks back to days not simply before Hitler but before Bismarck, when rival princes sought to prove to one another how very cultured, as well as powerful, they were. The rivalry today between the provincial stages and between the cities has a great tradition—a point worth remembering when discussing the West German "experiment" with federalism. Culturally, at any rate, it is a form which suits the Germans very well.

If any particular institution might be said to have taken over the role the princes once filled as patrons of music, then it is radio. Just as one city vies with another to become top dog in opera, so each West German regional radio network seems bent on proving that it presents the most balanced or the most progressive of musical fare.

It is hard, for example, to imagine the development of modern music in West Germany in the post-war years—whether in the strait-jacket of serialism or the unnerving freedom of so-called "aleatoric" composition—without the radio stations. Herr Karlheinz Stockhausen, for instance, received a lot of help and encouragement from the studios of West German radio in Cologne. A whole school of composers owes a big debt to the enlightened directors of South-West German radio, whose symphony orchestra was and remains one of the most agile in coping with the frightening complexities of modern scores.

Of course, by no means everyone approved of the "ultra-modern." Herr Hans-Werner Henze significantly took himself off to Italy and, among other things, wrote operas. That is a relatively unfashionable task—but for a German composer not a basically discouraging one. He stands a better chance than most of his foreign colleagues that someone, somewhere at home will be ready to put the things on before the public.

J.C.



*Not an office block but Frankfurt's new Opera House*

## TELEVISION

# Programmes under attack

WHAT DO the Germans like doing best in their leisure time? Some strenuous form of activity, surely, since they are such work addicts. Hiking, perhaps, or sports or going on trips? Wrong, their favourite pastime is watching television.

Ninety-seven per cent of all West German households have TV sets, some of them several. More than 40 per cent of them are colour sets. Seventy-four per cent of West Germans watch television every day—for over two hours on weekdays and three at weekends.

People spend more time viewing and listening than they do reading the printed word. The average German devoted nearly 19 hours a week to broadcasting in 1977, while newspapers and magazines took up less than six hours, according to statistics released recently by Bertelsmann, Germany's biggest publishing concern.

Early this year no less a person than Chancellor Helmut Schmidt advised his compatriots against exaggerated and uncritical consumption of television and warned that direct communication between people would suffer as a result of it. In an appeal for people to give up watching TV for one day a week, he said: "Television is a very attractive and compelling medium. It is difficult to escape its lure and to make the effort towards other forms of communication."

## Wishful

Although the television-free day may remain wishful thinking on the Chancellor's part, anger at the declining quality of programmes, at the increasing influence of the major political parties on TV and radio broadcasts, and steadily rising fees could lead growing numbers of people to switch off their sets more often.

When West German television got under way 25 years ago it soon established a reputation for high quality. To ensure that broadcasting *could never again* be taken over by the State as in the Nazi era, radio and television were made the responsibility of the Länder (the Federal States) and established as public corporations. The States adopted a variety of ways of arranging the composition of the councils which oversee the running of the networks. The key word here is proportional representation. The political parties in the State Parliaments, the trade unions, the churches—in short, all socially relevant groups—were to be represented and to have a say in the choice of programmes.

After the individual Länder radio stations had formed a joint working group, ARD (*Arbeitsgemeinschaft der oeffentlich-rechtlichen Rundfunkanstalten der Bundesrepublik Deutschland*), West Germany's first TV channel was born. Its nine stations televise separate regional programmes in the afternoon and present a joint evening programme to which they all contribute in turn.

To create a much-needed contrast, the second German channel ZDF (Zweites Deutsches Fernsehen) was founded 10 years later. It was set up along the lines of ARD—i.e., as a public corporation. But it is centrally organised and broadcasts only one programme for the whole of Germany. Sine it has concluded radio agreements with all German States, its controlling councils also reflect the make-up of the State Parliaments.

In 1964 ARD started serving a new channel. This was designed to fill a specific gap.

Over the years ARD and ZDF taken together have grown to become the second largest media enterprise in the world, according to figures published by the central committee of the German advertising industry. The increase in size has been accompanied by problems.

First, it has proved impossible to provide broadcasting that is wholly independent of political influence. The stronger representation of the ruling parties in the radio councils has tended to be reflected in journalistic appointments. Radio Bremen, Germany's smallest network, has recently provided an extreme example of how far political meddling can go.

When it became known this summer that a sub-committee of the Social-Democratic Parliamentary group in the Bundestag had drawn up a new Radio Bremen Bill, many citizens felt that the independent future of the German radio and television system was at stake. The Bill envisages replacing the head of the station by five directors. Representatives on the radio councils of scientific institutes, of women's committees and of the Senate are to be dispensed with. Their seats are to go to representatives of welfare organisations, local trades councils and Bremen's university—all of them Left-wing. But what worries critics of the Bill most of all is that journalists employed by Radio Bremen would be given co-determination in personnel matters or in programmes. "This would go against the grain of a public corporation," Herr Bernd Neumann, the leader of the Christian Democratic opposition in the Bremen Senate, has protested.

The other major problem facing the networks is money. In principle viewers cover the cost of broadcasting by paying a monthly broadcasting licence fee, currently DM 10.50. On top of that the stations have some income from commercials which they are allowed to broadcast for 20 minutes on weekdays between 18.00 and 20.00 hours.

Yet ARD has already forecast a deficit of DM 1.9bn by 1980. ZDF, following suit, has claimed it will have a financial gap of DM 726m by that time. Although a commission set up by the Prime Ministers of the Länder to scrutinise radio finances cut these figures by a total of DM 666m, it soon became clear that a further licence increase was inevitable. It has now been fixed at DM 13—a rise of more than 20 per cent—to apply from next January.

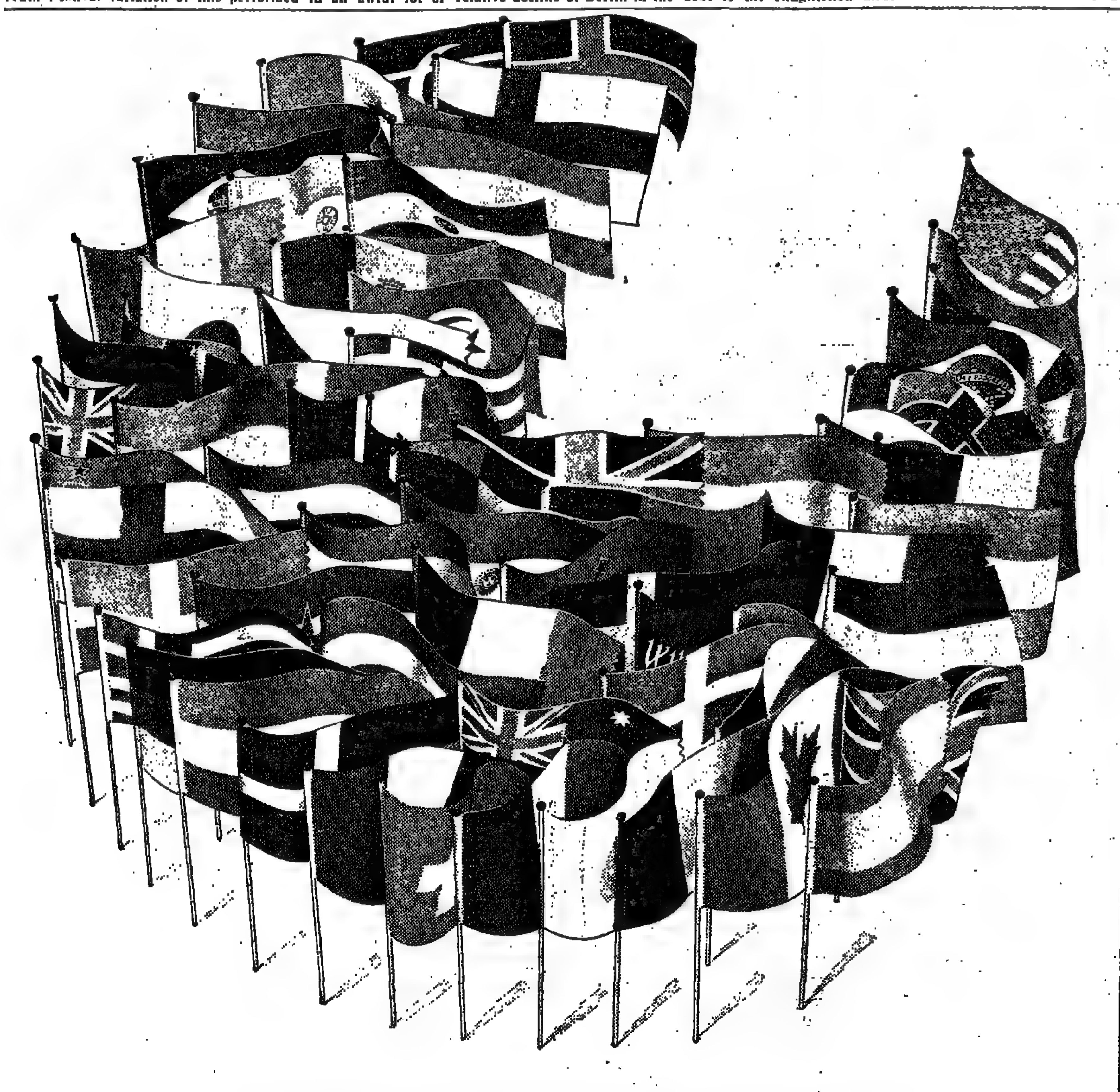
The reasons for this state of affairs at the networks are to a considerable degree mismanagement, mistakes in personnel planning, gross overstaffing and the building of too many studios. In the case of ARD, necessary decisions have often been hampered by the need to reach agreement between the individual stations under the Federal system.

In order to save money ARD and ZDF have both begun to cut down on shooting television films and on other domestic productions. Instead they have stepped up purchases of cheap foreign series and of old films, often repeated twice over within a short period. As a result "German television, once thought to be the best in the world, hardly differs from Fiji Islands' TV," as a German economic magazine of repute has put it.

Growing public complaints about endless repetitions, brutal foreign crime serials and heavy-handed slanted political reporting forced the heads of the German radio and television networks to try to make programmes more attractive at the beginning of this year. The attempt has failed, however, because the regional stations have refused to integrate their specialities—culture, science, national politics, foreign affairs or whatever—in any form of joint undertaking.

To many German observers, even within the political parties, the only remedy seems to be to abolish the monopoly of the system and to force improvements through the pressure of competition by private stations.

Elgin Schroeder



# A mood of uncertainty in the Midlands

**BY ARTHUR SMITH, Midlands Correspondent**

THE MIDLANDS, home of the car industry, will display the prize which it has coveted for so long when the International Motor Show opens at Birmingham on Friday. The £45m national exhibition centre, set amid fountains and landscaped grounds, will present the clean, confident face that the region would want to portray to the world. But what has been billed as "the best motor show ever staged in Western Europe"—despite familiar threats of industrial disruption—will catch the West Midlands in a mood of self doubt, with most question marks being placed against the long-term future of the staple industry, vehicle assembly.

The latest survey conducted by the West Midlands Chambers of Commerce contrasts with the optimism of national studies by suggesting that the national upturn in consumer spending has had no real impact upon the order books of local industry. Mr. Gerard Coghlan, chairman of the Chambers, says there has been very little change from the position three months ago.

Mr. Reg Parkes, chairman of Brockhouse and of the regional council of the Confederation of British Industry, presents a similarly gloomy picture. A CBI survey showed that the region was "bucking the national trend." The West Midlands had given no sign of any upturn of economic activity. Indeed, since July there had been "a rather disturbing decline of orders both at home and overseas."

Mr. Parkes points out that the region, traditionally one of the nation's most prosperous, has been slow to bounce back from each recession over the past decade. With its over-dependence upon manufacturing industry—around 46 per cent of the working population falls within that sector—the West Midlands provides a good indicator of the nation's real production performance.

The amount of spare capacity varies widely between industries and even between companies, but there has been a gradual improvement from the low point of just over two years ago when many employers were reporting that output could be raised comfortably by around 30 per cent. However, the continued under-utilisation of plant and equipment, coupled with a lack of confidence that demand will be sustained throughout 1979, is the main reason why increased consumer spending has not been reflected in the Midlands' capital goods industries.

Sectors like machine tools and mechanical handling equipment, under pressure from both imports and low demand from UK companies, see little improvement over the next 12 months. Companies in engineering and capital equipment, still working at only around 85 per cent capacity, expect little change in markets.

Mr. Richard Wootten, UK sales director of Tube Investments steel tubes division, with 15 Midlands companies and a turnover of more than £200m, says the upturn in activity that had been expected about now had not materialised. Output across the division had increased marginally over the past 12 months, but the dominating factor had been the continued international recession in steel products. "Without exception, all companies are saying it is probably a little bit better this year but any bright spots foreseen for 1979 are the result of particular circumstances rather than any improvement in demand." Mr. Wootten suggested that, if anything, markets might be turning down towards the end of next year.

Mr. Parkes takes a similar view, pointing out that while opinions about the future are varied, no one is expecting any significant improvement. "Indeed, if the regional economy does not go up steadily during 1979, we could be faced with recession once more by the 1980s."

Mr. Eric Swainson, managing director of IMI, an international engineering and metal manufacturing company with a heavy concentration of activities in the Midlands, attributes much of the blame for the region's poor performance to the vehicle industry. While UK car registrations are expected to reach a record level this year, imports are taking more than 50 per cent and BL Cars has proved a particular disappointment.

The State-owned car company, though geared to produce 1.2m vehicles, is likely to have an output of little more than 750,000 this year. Such a low level of activity works back through the component suppliers to the metal-forming and manufacturing industries. Weak international demand for tractors and commercial vehicles has also caused widespread short-time working and redundancies in the Midlands' forging and tyre industries.

Mr. Terry Davies, managing director of the foundries division of Birmid Qualcast, with 9,500 employees in the Midlands, reports that individual foundries' output is varying between 50 per cent and near maximum capacity. But there are signs that demand might be picking up. Mr. Charles Davidson, commercial director of Lucas Industries, also takes an optimistic view. He believes the key issue over the next 12 months will be the success of Midlands companies in expanding export sales. Lucas, in common with the other large motor component suppliers such as Guest, Keen and Nettlefold and Associated Engineering, have stepped up overseas sales to compensate for the weak demand at home.

A cause of some apprehension to exporters, however is the strength of the pound at a time when there are fears that UK inflation may begin to rise once more. A number of companies are reporting that they are maintaining export volume but on reduced margins and the point could come next year when they have to withdraw from certain markets.

In spite of weak demand over the past few years, investment has continued at what the CBI describes as "an adequate level." The disturbing consequence for employment, at least in the short-term, is that nearly all capital spending has been designed to improve efficiency and save labour rather than to expand capacity. Mr. Davidson of Lucas, which spent £100m last year and has scheduled £94m for the current 12 months, says that such investment is essential for Britain to remain competitive in world markets. He believes that the real test is whether advantage can be taken of such developments to increase national growth and redeploy the dislodged labour.

Sir Adrian Cadbury, chairman of Cadbury-Schweppes, which has a large confectionery complex at Bournville, Birmingham, reports that investment has remained "surprisingly buoyant" in the face of poor markets. The drinks and confectionery business had not benefited from the recent consumer spending but by next year it was hoped production volumes would be back to the level of 1973. "It is not something to boast about that you hope to be back to the level you were six years earlier," Sir Adrian said. "When there is no growth in output one way of seeking improved returns is to make better use of assets. I wish there were more new development projects but you are not likely to get that in an economy which is so sluggish."

Unemployment in the West Midlands, at 6.1 per cent, is fractionally lower than the average for Great Britain of 6.2 per cent, and has shown little movement on a seasonally-adjusted basis since the beginning of the year. There have, however, been signs of an increase in vacancies over the past two months. Such flutters in the employment market have been experienced before, so no one is placing too much reliance upon it. But Mr. John Warburton, director of the Birmingham Chamber of Commerce, reports that smaller companies are showing some optimism and talking about the need for additional labour. He points to the improvement in office lettings as an indication that the service sector might be expanding.

There can be no mistaking the principal factor behind the current uncertainty about the direction in which the economy will move. "Neither companies nor trade unions know what is going to happen to wages," says IMI's Mr. Swainson. "They do not know how committed the Government will be to the 5 per cent guideline, how genuine productivity deals must be, or whether sanctions will be imposed against companies."

A few engineering companies have already concluded deals within the 5 per cent guidelines, but most shop stewards are delaying negotiations to await the outcome of the strike at Fords and talks between the Government and the TUC. Many companies, although they would never declare it publicly are building into next year's estimates a 10 per cent total increase in the expected wage bill.

Trade union leaders in the West Midlands have already launched a campaign to co-ordinate action by shop stewards to break through the 5 per cent limit and seek a 35-hour week. But at this stage the move is not being taken too seriously by employers as there is little indication of widespread shop-floor unrest. On the contrary, there appears to be a growing recognition that militant action will lead only to a further rundown of jobs.

A number of companies, against a background of tightening liquidity, have already indicated that they will not be able to concede even the 5 per cent. There seems to be a desire to seek genuine productivity deals, but Mr. Parkes points out that companies that took advantage of that provision under Phase Three can hardly hope to make similar output gains for a second year. He also underlines the vulnerability of Midlands companies to any possible Government sanctions. Apart from direct State finance to companies such as BL, Chrysler, Alfred Herbert and the Meriden Motor Cycle Co-operative, the region has taken full advantage of aid schemes such as those offered to the foundry and machine-tool industries.

For Sir Adrian Cadbury, a former chairman of the West Midlands Economic Planning Council, the wages issue is likely to be crucial for the region. "If earnings finish up at 10 per cent, then inflation is likely to go up again. If they can be held at 8 per cent, there is a real chance we could move into a period of continued growth. At this stage it is mighty difficult to make a forecast."

**SOME OF THE ECONOMIC INDICATORS**

| | | Sept. % | June % | March % | Dec. % |
|---|---|---|---|---|---|
| **ORDERS** | | | | | |
| Home orders compared with three months ago | up | 35 | 35 | 36 | 46 |
| | same | 41 | 43 | 32 | 32 |
| | down | 24 | 22 | 32 | 20 |
| Export orders compared with three months ago | up | 29 | 28 | 27 | 34 |
| | same | 46 | 47 | 37 | 42 |
| | down | 25 | 25 | 36 | 24 |
| **PRODUCTION** | | | | | |
| Companies working at | full capacity | 26 | 24 | 22 | 27 |
| | 80-100% capacity | 46 | 39 | 42 | 47 |
| | 60-80% capacity | 27 | 31 | 32 | 23 |
| | at less than 60% capacity | 1 | 6 | 4 | 3 |
| **CASHFLOW** | | | | | |
| Cashflow compared with three months ago | improved | 23 | 27 | 22 | 26 |
| | satisfactory | 59 | 57 | 56 | 53 |
| | worse | 18 | 16 | 22 | 21 |
| **LABOUR** | | | | | |
| Companies expecting workforce to | increase | 24 | 19 | 19 | 26 |
| | remain constant | 55 | 61 | 63 | 57 |
| | decrease | 21 | 20 | 18 | 17 |
| **INVESTMENT** | | | | | |
| Plans for new plant and machinery in next 12 months have been | revised upwards | 29 | 23 | 17 | 28 |
| | unchanged | 66 | 72 | 78 | 69 |
| | revised downwards | 5 | 5 | 5 | 3 |
| **CONFIDENCE** | | | | | |
| Companies confident turnover will | improve | 55 | 48 | 48 | 60 |
| | remain same | 37 | 41 | 42 | 34 |
| | worsen | 8 | 11 | 10 | 6 |
| Companies confident profitability will | improve | 30 | 28 | 27 | 41 |
| | remain same | 48 | 47 | 51 | 43 |
| | worsen | 22 | 25 | 22 | 16 |

* Results all by percentage    Number of respondents 301

*Source: the West Midlands Chambers of Commerce quarterly economic survey*

# Letters to the Editor

## Air fares scramble

*From the Executive Director, Oceanair Travel*

Sir,—This year's air fares scramble on the North Atlantic is reminiscent of the Clarkson's era in the holiday trade; when the end of filling aircraft seats blotted out all other considerations, including that of making a profit!

Sir Freddie Laker opened up a new market for the casual traveller, which was previously untapped. The scheduled airlines should not have tried to compete, since (i) he was not after their business and (ii) the very nature of Skytrain, with no reservations systems, computers, sales forces/outlets, negligible advertising, etc., renders it impossible for the scheduled airlines to match the price, since they are already blessed (or lumbered) with all of these things. Your article of October 10 even mentions the possibility of advertising the non-availability of seats, which must be the height of lunacy!

The scheduled carriers should turn their attention to reducing fares for their biggest customer, the business traveller. The new three class structure is a sop to the businessman, to confuse him into thinking he is getting value for money. Let us analyse what he gets for his extra £189 (November yearly compared to November Apex return); free drinks; free earphones; a different menu; the intangible "higher standard of service"; use of first class check-in facilities; and a separate cabin so he can't find out what the others are paying! Even the very best of restaurants with immaculate cloakrooms, service, food, wine and cabaret could not justify charging £189 for a meal!

Companies with large travel budgets should exert pressure on the airlines to come up with a fare structure which is fairer to them; cosmetic changes in the style of service are not enough.

Colin P. Boyce.
*Oceanair House,*
*133-137 Whitechapel High Street, E1.*

## Small business regeneration

*From Dr. R. Horwitz*

Sir,—A noticeable shift in attitudes is how Nicholas Leslie opens his informative critique of the resurging preoccupation with small business development finance by the banks and other financial institutions (October 10 Management Page). In short there has been something of a response but less than a revolution.

It is becoming daily more evident that Britain cannot much longer delay the launching of another industrial revolution. The fiscal inspiration for entrepreneurship can however come, it is suggested, not by way of an attitude-change in the financial fraternity but only through the re-creation of the classical capital market.

Basic to that market was that the corporate enterprise belonged solely and totally to the shareholders. Ownership implicitly and explicitly meant annual distribution of the whole annual surplus of "profits" to such shareholders. That distribution was both source and information for the continuum of re-evaluation of resource-allocations of investment funds. It was the fiscal dynamic for the vast expansion of capitalism and competition—the latter as critical as the former both to small business development and "industrial democracy."

If any content can be given to industrial democracy (it certainly has no meaning) then workers' liberties and choices can be secured only through employers' competition.

The fiscal dynamic of the classical capital market is furthermore vital to the concomitant interacting dynamic of entrepreneurial management. In essence the entrepreneurial act is sustained by managerial activities and, under contemporary conditions, creative, innovative and risk-taking managers secure outside finance to become entrepreneurial small businesses.

Industrial democracy as conceived by the Bullock Report becomes a disastrous encumbrance on the critical fiscal compulsion to enforce annual payout of total profits to owning shareholders. No sensible small business regeneration can otherwise occur.

(Dr.) Ralph Horwitz
(Visiting Fellow in Business Policy),
London Regional Management Centre,
*311, Regent Street, W1.*

## Terminological inexactitude

*From Mr. M. Mitchell*

Sir,—You tell us (October 9, Back Page) that the National Coal Board and the Central Electricity Generating Board have agreed to subsidise the sale of coal to power stations at a cost "to the Government" of about £25m. The terminology is inexact. L'état c'est moi.

M. R. S. Mitchell.
*The Old House, Aldham,*
*Nr. Colchester, Essex.*

## Exchange control

*From Mr. W. Platt*

Sir,—Mr. Finlay (October 12) does not understand the significance of a non-resident holding sterling: so long as he holds the sterling there exists a contingent liability to the foreign exchange reserves. Put it another way, if the Spaniard does not want sterling he sells it for another currency—he sells the sterling to a willing buyer (another non-resident) at a price. The more sterling being sold, or on offer to, non-residents the lower the price in terms of other currencies, i.e., sterling is devalued and our foreign currency reserves are depleted. Without these reserves we cannot pay for our imports. This is the valuable property which is being removed and the reason for having exchange controls.

W. P. Platt.
*80, London Wall, EC2.*

## Getting rid of moles

*From Mr. R. Nott*

Sir,—My friend, General Cowley (October 5) suggests getting rid of moles with either bullets or bottles.

May I ask him how he manages to see the little blighters to shoot them? And, as for surrounding the garden with bottles, quite apart from danger to children, etc., he must be much thirstier and richer than I to be able to accumulate enough empties.

I found a simpler solution. Like General Cowley I had moles in the rough grass and let them be. One morning a molehill appeared in the middle of a lawn. Something had to be done quickly with whatever was available. I poured a small quantity of creosote into the run, and had no more trouble.

Robert Nott.
*Englefield Cottage, Hurtmore,*
*Godalming, Surrey.*

## Choice of weaponry

*From Mr. S. Tonge*

Sir,—If General Mulloy is winning his mole campaign he is to be congratulated—and somewhat envied—and I hope he may disclose more of his strategy and choice of weaponry to others who are less gifted. My smoke bombs have a noticeably aphrodisiac rather than lethal effect.

Seymour Tonge.
*High View,*
*Kintbury, Newbury,*
*Berkshire.*

## The value of sterling

*From Mr. H. Cole*

Sir,—Samuel Brittan argues (October 5) that, as a prelude to joining the new European monetary system, the pound's value will have to be adjusted (downwards) to a level which it will be able to sustain in the market for at least three to six months.

But this raises a problem in itself. In the recent past, intervention by the Bank of England seems to have been at least as much directed to dampening as to sustaining the value of sterling. Consequently, if we are to move to a rate which is different from that which the market would establish, how is the pound to be kept there for the three- to six-month period when, by definition, it will be out of line with its market value?

Harvey R. Cole.
*9, Clifton Road,*
*Winchester.*

## A currency system

*From Mr. D. Dale*

Sir,—All efforts to stop the fall of a weak currency by borrowing are doomed to failure. In the 1930s the Exchange Equalisation Fund was swallowed up in no time when the French Franc lost the confidence of other countries. After the war, we were almost bled to death in our efforts to avoid devaluations of the pound. Very late in the day we accepted the inevitable and allowed the pound to float freely thus saving ourselves from a far worse economic fate.

It would be stupid in the extreme to sign an agreement which tied the pound to the stronger currencies of our European neighbours. These countries would then continue to flood Britain with competitively priced goods and lend us the money to pay for them, while our own industries continued to decline. This is the quick way to the pawn shop.

We should take the exactly opposite road: stick to a fully floating pound and tackle the heavy job of rebuilding our industries by producing better and cheaper. The pound would then strengthen itself.

The Prime Minister had to resign the Chancellorship because he tried in vain to avoid devaluing the pound. Surely he does not have to learn the same lesson twice?

D. H. Dale.
*"Birch Crest," Hilderstone Road,*
*Meir Heath, Stoke-on-Trent.*

## Safety at work

*From the Safety Adviser, Engineering Employers' Federation*

Sir,—Philip Bassett's article "Unions' chance to cut accidents" (October 3) contains a good potted version of the regulations which allow recognised trade unions to appoint safety representatives at workplaces from October 1.

He states, however, that under the Health and Safety at Work Act "employers are open to two years' imprisonment and/or a fine not greater than £1,000 on summary conviction." Employers—or anyone prosecuted for a breach of the Act's provisions for that matter—are not liable to be faced with a term of imprisonment except in a very limited number of cases on indictment. Imprisonment can be imposed as well as a fine, as section 33(3) of the Act makes clear, if anyone is guilty of offences in connection with any of only four requirements: contravening the terms and conditions of any licence; disclosing certain types of information; keeping, using, etc., explosives contrary to statutory provisions; contravening the conditions of a prohibition notice.

P. E. Arscott.
*Broadway House,*
*Tothill Street, Westminster, SW1.*

## Electrical energy

*From Miss M. Watchorn*

Sir,—The purpose of coal-mining the Vale of Belvoir is, quite simply, to provide jobs for miners. It would render some hundreds of acres non-viable for farming—and food is the most important productive use for land.

The most efficient—practicable—way of generating further electricty is nuclear fission using fast breeder reactors. There is much semi-hysterical anti-nuclear propaganda perpetuated in a very "close-minded" manner.

The Windscale Inquiry was an extremely thorough, painstaking, patient delving into the pros and cons of nuclear and alternative technology including some hilarious suggestions of windmills in the North Sea and sugar beet in the Lake District (page 35, paragraph 8.51). It is a pity the anti-nuclearites cannot be bothered to read it.

The most disturbing revelation of the inquiry must surely be on page 33, paragraphs 8.40, 41, and 42, referring to the Ford Foundation Report on the cost in life and health of coal-fuelled power plants. The report evidently confirms what many of us, living in the vicinity (9 miles in our case) of coal-burning power stations, have known for years.

Why is Mr. Wedgwood Benn, Minister for Energy, keeping this Report unpublished? The public have a right to know the risks of various technologies.

(Miss) M. Watchorn.
*58 Priory Road,*
*West Bridgford, Nottingham.*

# Today's events

**GENERAL**

Prime Minister confers with Ministers accompanying him to Bonn on Wednesday to discuss monetary proposals.

Mr. Anthony Wedgwood Benn speaks at East Lothian and Prestonpans Labour Clubs, prior to by-election on October 26.

Nominations close for by-elections at Pontefract and Castleford; and Berwick and East Lothian.

TGWU and National Union of Seamen threaten industrial action in union recognition dispute with Scot Catering and Offshore Services, Aberdeen.

Unions and management negotiating committee reports to unions at Vauxhall Motors on self-financing incentive scheme.

Financial Times' two-day conference on "Outlook for Italy" opens in Rome.

Fifteen Federal by-elections in Canada—governing Liberal Party not expected to do well.

U.S. Assistant Treasury Secretary Bergsten talks to West German Government in Bonn on international monetary matters.

Foreign Ministers of UK, U.S., West Germany and Canada talk to South African Government in Pretoria.

Sheikh Yamani gives annual distinction lecture to Fellowship of Engineering, Guildhall, London.

EEC Finance Council meets in Luxembourg.

London Chamber of Commerce mission to Libya reports back and discusses export opportunities.

Evening Newspapers Advertising Bureau publishes survey on advertising attitudes.

Faculty of Actuaries meet in Edinburgh.

Lord Mayor of London opens Charrington's new office block at Anchor Brewery, Mile End, E1.

**OFFICIAL STATISTICS**

Department of Trade publishes September provisional retail sales figures.

**COMPANY RESULTS**

Final dividends: Forward Technology Industries, Rugby Portland Cement, W. A. Tyzack and Co. Interim dividends: BSG International, Dorrington Investment Company, Senior Engineering Group, Steel Brothers Holdings, Wood and Sons (Holdings).

**COMPANY MEETINGS**

See Financial Diary, page 7.

**SPORT**

Boxing: Henry Rhiney (Luton) v. Chris Walker (Sheffield) at World Sporting Club, London.

Golf: European Open Championship—qualifying, at Kingswood, RAC and Cuddington.

Tennis: BMW Challenge, Women's International Tournament, Brighton.

# COMPANY NEWS

## Dawson claims breach of confidence by Baird

BY TERRY OGG

Mr. Alan Smith, chairman of **Dawson International** is expected to disclose today that he has written to Mr. Stanley Field requesting his resignation from Dawson's Board.

Mr. Field is chairman of **William Baird**, Dawson's largest shareholder, which is currently bidding for the Dawson shares it does not already own. The resignation request follows the release by Baird of details of the frustrated Dawson bid for John Haggas, a Yorkshire-based worsted yarn spinner.

The Dawson Board appears to regard the release of the details as a breach of confidence: it is an example of the conflicts of interest inherent in Mr. Field's continued presence on the Dawson Board, the Board claims.

Perhaps anticipating such a move, Mr. Field, in the letter to Dawson shareholders outlining the Dawson Haggas proposals, says that a copy of a Press announcement containing the merger proposals "was sent to me as chairman of Baird."

"The Board of Baird decided that, in view of the proposed terms of the Dawson-Haggas transaction, Baird should immediately inform all Dawson shareholders of its opposition to the proposed Haggas transaction and of the alternative proposals which Baird was willing to put forward to all other Dawson shareholders," Mr. Field says.

The resignation call is just one of a number of defence devices Dawson is using to beat off a bid it has dismissed as being "totally unacceptable both commercially and financially."

It is also expected to announce a substantial increase in dividends, make a more optimistic profit forecast and disclose that it is in the process of completing a revaluation of assets.

But the main thrust of its defence is likely to be that the shareholders would be better off if the company was left to stand on its own feet than if it became part of William Baird.

Should the Baird bid be defeated, Dawson will almost certainly proceed with the Haggas transaction and it is looking closely at a second acquisition in the textile industry to round off its product range.

### BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

**TODAY**

Interims:—Allied Plant, BSG International, Brook Street Bureau of Mayfair, Dorrington Investment, Rugby Portland Cement, Senior Engineering, Steel Bros., Wood and Sons.

Finals:—Forward Technology, W. A. Tyzack.

**FUTURE DATES**

Interims:—

| | |
|---|---|
| Berkeley Hambro Property | Oct. 26 |
| Central and Sheerwood | Oct. 17 |
| Gerrard and National Discount | Oct. 19 |
| More O'Ferrall | Oct. 25 |
| Nineteen Twenty-Eight Inv. Trust | Nov. 2 |
| Websters Publications | Oct. 18 |

Finals:—

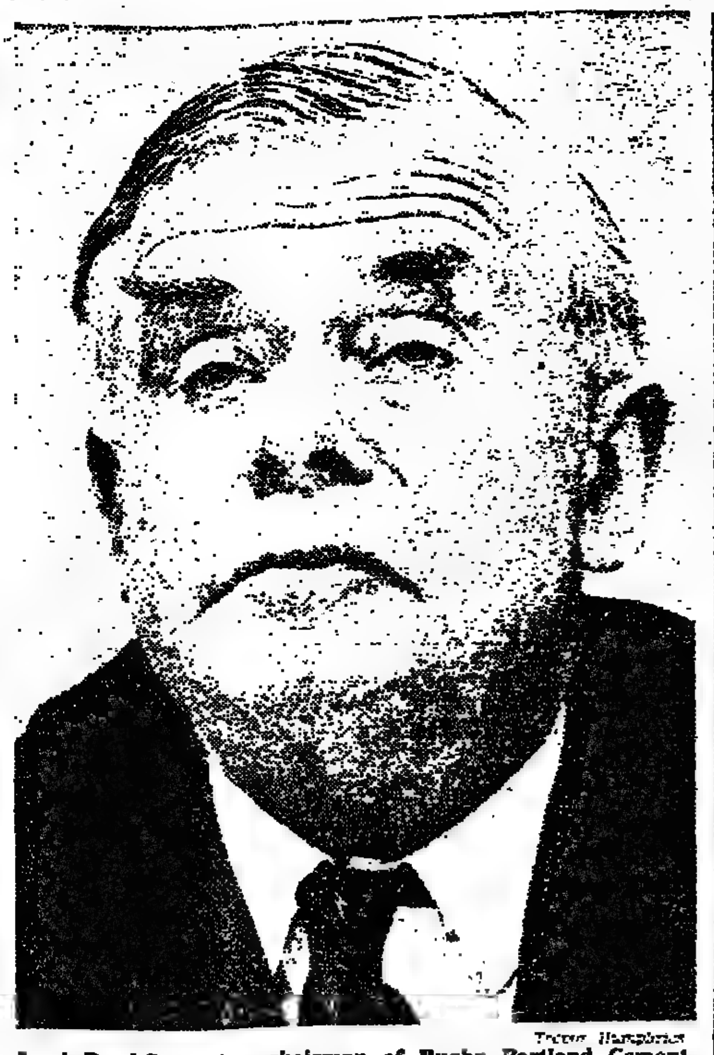
| | |
|---|---|
| Burndene Investments | Oct. 19 |
| Equity Income Trust | Nov. 1 |
| Peters Stores | Oct. 20 |

## New pension retirement policy launched by Royal

A NEW improved form of pension contract for the self-employed has been launched by Royal Insurance, designed to provide the maximum possible tax free cash sum at retirement. Under the new form of **Personal Retirement Policy** the contributions are accumulated in a fund at a guaranteed rate of interest to which is added bonuses whose value will depend on the investment performance of the fund. At the date of retirement at time between the 60th and 75th birthdays, the sum so accumulated can be used either to provide a pension or a tax free cash sum together with a reduced pension.

The new policy will incorporate an open market option, which will enable the investor at the time of retirement to take the value of the accrued rights under the contract and purchase the pension on the open market, that is with another life company. Royal states that the value of these accrued rights will not be less than 95 per cent of the amount of the retirement fund, including bonuses.

The investor has the choice of paying premiums on a regular periodic basis or by a series of single premiums or a combination of both. Under Royal's current bonus rates, a man aged 49 paying 16 annual premiums of £1,000 each could expect on retirement at age 65 to receive a tax free cash sum of £12,072 plus a pension of £4,024 per annum. The contributions would qualify for tax relief at the investor's top tax rate.



Trevor Humphries

Lord Boyd-Carpenter, chairman of Rugby Portland Cement, who is due to announce half year results today.

## Sime Darby row with auditors escalates

The altercation between Sime Darby and Turquands Barton Mayhew, the auditors which the company proposes to replace by Price Waterhouse, could flare into open battle later this week.

Turquands plans to hold a press conference about the issue in Kuala Lumpur some time this week.

The firm has already said that it does not accept Sime's stated reasons for wanting Price Waterhouse to replace Turquands.

Sime says that PW extensive worldwide representation will make it better placed to deal with the international affairs of Sime.

Turquands does not accept this as a valid reason and at a press conference earlier this month in London claimed that Sime must have other reasons for the proposed replacement.

At the Press conference one director said that Sime had verbally given him at least one other reason.

Turquands is now arguing strongly that shareholders should be given the full reasons for the Board's decision to dismiss Turquands.

Meanwhile, time is running out as Sime is in the last stages of preparing its accounts in which the directors must make a recommendation one way or the other over the auditors for the current year.

## Stock control weakness at BL Cars

HISTORIC WEAKNESSES in stock control procedures for BL's Rover and Triumph Cars led to a major qualification of the 1977 accounts for British Leyland Cars by Cooper and Lybrand, the auditors.

The problems, which are now said to have been solved by new inventory accounting methods, first came to light in 1976. Apparently physical stocks could not be checked out in detail and theoretical values in the accounts also failed to tally with physical stocks.

Once discovered the company moved to put matters right with a new inventory procedure. But by the time the auditors came to look at the accounts for 1977 they could not be certain that the new system had rectified all the irregularities.

Hence the heavy qualification accompanying the published accounts this April. This read in part that until the new method was complete "it will not be known whether the amounts of fixed assets of Leyland Cars which have been incorporated in the accounts are accurate or, alternatively, whether some assets which are shown in the accounts are no longer in use and therefore should be written off."

The auditors did not feel that the qualification needed to be carried through to the parent company's accounts which won a clean certificate apart from minor issues such as uncertainties over the costs of plant closures.

## FT Share Service

The following securities have been added to the Share Information Service appearing in the Financial Times:

**Banco De Madrid** Section: Overseas—Spain), **Portsmouth and Sunderland Newspapers** (Section: Newspapers).

## RESULTS IN BRIEF

**THROGMORTON SECURED GROWTH TRUST**—Results for July 31, 1978, year already known. British Government Stocks, at middle market value, £7.83m (£7.13m), other investments £7.73m (£2.74m). Net current assets £225,459 (£234,967). On revenue front directors hope for further progress in current year. Meeting, 25 Milk Street, EC, November 1 at 12.30 pm.

**WESTERN MINING CORPORATION**—Results for the year to June 27, 1978 already reported. Group mining properties and development $78.12m ($64.84m). Plant equipment property and buildings $170.9m ($153.34m). Investments $104.36m ($102.73m). Meeting: Melbourne on November 2.

### LOCAL AUTHORITY BONDS

| Authority (telephone number in parentheses) | Annual gross interest | Interest payable | Minimum sum | Life of bond |
|---|---|---|---|---|
| | % | | £ | Year |
| Barnsley Metro. (0226 203232) | 11½ | ½-year | 250 | 5-7 |
| Bradford (0274 29577) | 11½ | ½-year | 500 | 5-7 |
| Chorley (02572 5611) | 11¼ | ½-year | 1,000 | 3-7 |
| Knowsley (051 548 6555) | 11¾ | ½-year | 1,000 | 6-10 |
| Manchester (061 236 3377) | 10 | ½-year | 500 | 2 |
| Poole (02013 5151) | 10¾ | ½-year | 500 | 5 |
| Poole (02013 5151) | 11½ | ½-year | 500 | 6-7 |
| Redbridge (01-478 3020) | 11½ | ½-year | 200 | 6-7 |
| Salisbury (0722 24265) | 11¼ | ½-year | 100 | 5-7 |
| Southend (0702 49451) | 10¾ | ½-year | 250 | 3 |
| Thurrock (0375 5122) | 11 | ½-year | 300 | 4 |
| Thurrock (0375 5122) | 10¾ | ½-year | 300 | 3 |
| Wrekin (0952 505051) | 11½ | yearly | 1,000 | 5-6 |

### FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£25,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 3.11.78.

| Terms (years) | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|
| Interest % | 11 | 11½ | 11¾ | 12 | 12¼ | 12¼ | 12½ | 12½ |

Rates for larger amounts on request. Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 177). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.



## BSC men accept plan to bring River Don works to profit

A British Steel Corporation plan to get its most consistent Sheffield loss-maker, the 3,000-employee River Don works, back into profit by 1981 has been accepted by the work force.

The plant, which combines the UK's biggest forge with a modern foundry and steel-melting and engineering facilities, has been a consistent loss-maker. In recent years losses are thought to have exceeded £10m.

Now, after nine months of bargaining, unions have accepted a sweeping new business plan for River Don which will include some modernisation, together with relatively small section closures. BSC officials at the works say the new plan will "put our house in order."

The agreement explains: "It is the aim of those employed within the River Don and associated works to make the works into a profitable enterprise, showing an acceptable return on capital by 1981."

The modernisation is expected to be accompanied by vigorous product development to take the plant into new markets. Already important breakthroughs in stainless steel casting and the production of North Sea oil equipment have been achieved.

The huge plant faced complete closure in 1971-72 after a proposal ... able part of it was hived off as part of a complex Sheffield deal between BSC and private-sector steel-maker and forger, ... Brown. Substantial union opposition blocked such plans ... since then BSC has invested considerably in uprating both melting and foundry facilities.

## More support for development council

There was more support at the weekend for the campaign to safeguard the North of England Development Council, the future of which is threatened by plans to restrict its activities.

Liberal councillors on the Tyne and Wear County Council, the job-hunting agency's biggest backer, want the organisation retained in its present form.

They have tabled a motion for this week's meeting of the County Council deploring moves to cut its operations and criticising the newly-formed North East County Council's Association for wanting to confine the NEDC's role to promotion and publicity.

The influential Northern Regional Council of the Labour Party has already come out in support of preserving the NEDC until the Government approves plans to strengthen the Northern Economic Planning Council.

But the campaign is sure to be resisted at the County Council meeting by the Authority's ruling labour group, which has already voted to withdraw its £80,000 a year grant from the NEDC ... year. This follows criticism of the organisation's efforts to attract new industry, particularly ... number of overseas trade missions.

The picture has been complicated even more by the decision of the NEDC to go ahead with an application to the Government for an increased grant of £... a year.

## IBM abandons plans for Manchester H...

IBM, the world's biggest company, is abandoning plans to develop a new northern regional headquarter at Bowdon in Greater Manchester following rejection of its planning application by the local authority.

The company had been hoping to develop 20 acres on a 100 acre farmland site owned by the Church Commissioners but its proposal ran into very strong opposition in the area, one of Manchester's most prosperous suburbs.

The strength of local opposition has now persuaded IBM not to appeal against the rejection by Trafford Borough Council of the application although the company said yesterday it very much regretted the decision. Mr. E. R. Nixon, managing director of IBM UK said the company had had good business reasons for wanting to locate its northern marketing centre on the site which would have re-housed roughly 400 people currently working in three other office blocks in the Sale area of Trafford. Total employment at the proposed two-storey block was expected to grow over the next few years to 600.

"However we were also firmly of the view that we would have to be able to make a major contribution to the local community and environment. Had we not been given the clear indication that we would find support for this view, we would not have lodged the application in the first place," Mr. Nixon said.

The company favoured Bowdon because of its proximity to Manchester Airport only a few miles away, and to the motorway and main line rail network. The site at Bowdon was also sufficiently close to the existing offices to have made it unnecessary for staff to move house.

IBM is now expected to begin a search for an alternative site for the centre which acts as a marketing support facility for all activities in the north of England and in Scotland.

## Power bills computerised

SOUTHERN ELECTRICITY has installed a £2.5m computer to handle the billing and accounts of its 2m customers and provide additional computer-based facilities to assist management of the undertaking.

The computer, a 3½ megabyte dualled 2970, from British manufacturers International Computers is planned to be linked to a telecommunications network so that customer information can be received on video terminals in each of the board's 19 districts.

## Public Works Loan Board rates

Effective from October 14

| Years | Quota loans repaid by EIP† | Quota loans repaid At | Quota loans repaid at maturity§ | Non-quota loans A* repaid by EIP† | Non-quota loans A* repaid At | Non-quota loans A* repaid at maturity§ |
|---|---|---|---|---|---|---|
| Up to 5 | 11¾ | 11¾ | 12¼ | 12¾ | 12¾ | 12¾ |
| Over 5, up to 10 | 12¼ | 12½ | 12¾ | 13¼ | 13 | 13¼ |
| Over 10, up to 15 | 12¾ | 12¾ | 12¾ | 13¼ | 13¼ | 13¾ |
| Over 15, up to 25 | 12¾ | 13 | 13 | 13¾ | 13½ | 13½ |
| Over 25 | 13 | 13¼ | 13¼ | 13½ | 13¾ | 13¾ |

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

# INTERNATIONAL FINANCIAL AND COMPANY NEWS

## LTV reduces reported net income for last four years

DALLAS, Oct. 15.

LTV has restated its consolidated earnings and those of its subsidiary, Jones and Laughlin Steel Corporation, for the years 1974 to 1977, reducing LTV's net income for the period by $26.6m and Jones and Laughlin's by $15m, agencies report.

The restatement was made to correct accounting errors in Jones and Laughlin's statement, which used a "last-in, first-out" method of inventory accounting, LTV said.

LTV said that its Board agreed to enter into a consent decree with the SEC stemming from an SEC investigation into the company's prior reported earnings for several years.

Its expected signing on Monday of the consent decree would clear the way for the special meetings on December 5 by shareholders of LTV and Lykes Corporation on their pending merger.

In addition to the merger terms previously announced, the boards have voted to offer holders of LTV Series A preferred stock the option to receive two shares of the new LTV $2.60 Series B cumulative preferred stock for each share owned.

Each share of the new Series B stock to be issued in connection with the merger will be convertible into 2.3 shares of LTV common and 0.3 shares of a new LTV Series One participating convertible preference stock.

● Our Financial Staff adds: LTV reports a consolidated net loss of $38.7m for 1977, against a profit of $30.7m in 1976. In 1975, net profits were $13.1m, and in 1974, $111.7m. In the first half of 1978, net earnings of $8.4m were realised, in spite of a first quarter loss of $25m.

## Von Roll expects to stay in the red

By John Wicks

ZURICH, Oct. 15.

THE SWISS engineering concern, Von Roll of Gerlafingen, expects to remain in the red during the current financial year, ending November 30. Last year net losses were cut to SwFr 100,000 after a return by the parent undertaking from a negative to a positive cash-flow.

In a letter to shareholders, the Von Roll president Dr. Paul Koehli says that the success of the concern's re-organisation programme has been seriously impaired by the recent development in exchange rates. This had led to a negative trend in operating results after the first quarter, which Von Roll was now countering with "even more rigorous cost-saving measures." Liquidity remained good, however, and corporate re-organisation and productivity improvement was continued.

For the first nine months of the current financial year, group turnover remained at 1976-77 levels. Sales of the parent company fell by 4 per cent, as a result of the rise in the Swiss franc. Among major subsidiaries, profitability of the Swiss steel company, Monteforno, of Bodio, deteriorated.

## City Investing looks for gain

BY TERRY BYLAND

RECENT PREDICTIONS on Wall Street of earnings this year of $110m to $115m from City Investing, the insurance and steel products group, were described as "a good figure" by the chairman and chief executive, Mr. Geo. T. Sharffenberger in London. He added that the group looks for a 20 per cent increase in sales to around $3.6bn. In 1977, City Investing turned in earnings of $82.5m on sales of $3bn.

A significant proportion of the increased earnings will come from the insurance divisions, traditionally the group's principal profit makers, which are expected to push operating profit up by 50 per cent to $150m this year. The investment portfolio of the insurance side, now totals some $1.6bn and is expected to earn $100m this year.

Mr. Scharffenberger and other board members are currently paying an annual visit to the UK, where the group's operations earned $8.3m this year, chiefly from its steel container and plastics business.

The board is actively considering a further acquisition in the UK which would represent a "substantial investment." The group's international manufacturing divisions, which now incorporate operations in 20 countries, are expected to earn some $48m this year from sales of $480m.

City Investing is also a major force in the U.S. domestic housing—number four in the industry according to board members. It sees this as a strong growth sector.

### MEDIUM-TERM CREDITS

## Utility negotiations generate interest

BY FRANCIS GHILES

BANKERS are following closely the outcome of current negotiations between the French electricity board, Electricite de France (EDF), and the leading French banks, the result of which could be the launching of a $300m 10-year credit with a split spread over the inter-bank rate of just ⅜ per cent rising to ½ per cent.

It is far from certain that this credit will be launched. There have been persistent reports that Japanese banks have proved reticent in joining in the management group. They are very sensitive to the criticisms levelled at them in recent weeks, especially by some U.S. banks, who feel that the Japanese banks are helping to push spreads down even more by their eagerness to participate in credits on terms which the U.S. bankers feel are unrealistic.

Although the outcome of the proposed EDF loan is not clear, it will, whichever way it goes, constitute a benchmark for the medium term syndicated market.

It would represent the first time a borrower had succeeded in obtaining a spread below half a per cent in the current cycle, and would suggest that the fall in spreads witnessed in the past two years is not yet over.

Its significance would be more psychological for bankers than real, insofar as this credit would be used as a back-up line for commercial paper to be issued in the U.S., in other words it is unlikely to be drawn. The fees being paid by the borrower would be unchanged from the last time EDF arranged a back-up line for commercial paper earlier this year.

The Federal Government of Canada is refinancing the major standby facility it arranged with Canadian chartered banks last autumn on more favourable terms. Last autumn it arranged a $1.5bn facility, which was increased last April to $2.5bn, for seven years on a split spread over the London interbank rate of ⅜ per cent for the first three years rising to ½ per cent. The standby fee on the undrawn portion of the loan was ⅜ per cent.

The new terms the borrower is paying include a spread of ⅜ per cent throughout for eight years and a standby fee of ¼ per cent. The amount, $2.5bn, is unchanged. At the end of last month $2bn of the total of $2.5bn is understood to have been drawn.

Last May the Federal Government arranged a further standby facility, this time with a group of U.S. banks, amounting to $3bn.

# Currency, Money and Gold Markets

## London fears the worst

BY COLIN MILLHAM

Interest rates continued their seemingly inexorable rise in the U.S. and Europe last week, contributing to the nervous inactivity which has fallen over the London money market.

Discount houses are now running very short books, while London-based banks have become increasingly reluctant to lend funds except for very short periods. The six-month interbank rate rose above 11 per cent on Friday, about 1 per cent higher than at the beginning of the month, and the yield curve on interbank rates and sterling certificates of deposit is almost flat from five months through to the year.

Meanwhile the Treasury bill rate has risen steadily. In mid-September Minimum Lending Rate was 10 per cent, and the Treasury bill rate stood at 8.8470 per cent, indicating MLR of 9¾ per cent under the old formula. Last week MLR was still 10 per cent, but the bill rate rose to 9.8503 per cent on Friday, which would have given MLR of 10¾ per cent on the formula abandoned on May 25.

The banks can see little prospect of a fall in MLR from 10 per cent, but see every chance of a rise, particularly if the authorities should decide to emulate the Grand Old Duke of York once again, in order to sell some gilts. The Government's funding programme is not the only headache either. Chase Manhattan led the way to 10 per cent prime rates in the U.S., while technical shortages of money in New York have made it difficult to tell whether the Federal Reserves target rate for Fed funds is still 8⅞ per cent or higher.

The U.S. administration's response to the continued fall of the dollar and rising U.S. inflation has done nothing to improve confidence in the foreign exchange market or world-wide money markets.

Holland has been forced to lift its bank rate twice in less than a month, and Belgium lifted one of its two key central bank lending rates last week. Intervention to maintain the Dutch guilder and Belgian franc, as well as the two other weaker members of the European currency snake, was continuous throughout last week.

Under these circumstances market operators in London are preparing for the worst.

### CURRENCY RATES

| October 13 | Special Drawing Rights | European Unit of Account |
|---|---|---|
| Sterling | 0.653121 | 0.679481 |
| U.S. dollar | 1.29971 | 1.35366 |
| Canadian dollar | 1.53964 | 1.60225 |
| Austrian schilling | 17.5818 | 18.2706 |
| Belgian franc | 38.1367 | 39.7297 |
| Danish krone | 6.73900 | 7.00493 |
| Deutsche Mark | 2.42006 | 2.51915 |
| Guilder | 2.62736 | 2.73669 |
| French franc | 5.52637 | 5.75208 |
| Lira | 1057.96 | 1101.71 |
| Yen | 242.396 | 251.590 |
| Norwegian krone | 6.44201 | 6.68401 |
| Peseta | 91.2266 | 94.8613 |
| Swedish krona | 5.62774 | 5.83770 |
| Swiss franc | 1.98401 | 2.06370 |

### THE POUND SPOT / FORWARD AGAINST £

| Oct. 13 | Bank rate % | Day's Spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|---|
| U.S. $ | 8 | 1.9765-1.9920 | 1.9860-1.9870 | 0.47-0.37c pm | 2.54 | 1.65-1.55c pm | 3.18 |
| Canadian $ | 3½ | 2.3465-2.3665 | 2.3620-2.3630 | 0.60-0.50c pm | 2.81 | 2.05-1.95c pm | 3.40 |
| Guilder | 6½ | 4.01-4.06 | 4.01½-4.02½ | 3-1½c dis | -3.75 | 1c pm-par | -0.49 |
| Belgian F | 6 | 58.25-58.75 | 58.30-58.40 | 25-40c dis | -6.68 | 95-10c dis | -0.34 |
| Danish K | 8 | 10.26½-10.34½ | 10.26½-10.27½ | 4¼-6¼ore dis | -6.15 | 9-11 ore dis | -3.89 |
| D-Mark | 3 | 3.66½-3.73½ | 3.66-3.70 | 3⅝-2⅝pf pm | 9.34 | 8⅝-8⅛pf pm | 9.60 |
| Port. Esc. | 18 | 89.50-87.60 | 88.10-88.30 | 70-170c dis | -16.16 | 225-475c dis | -15.71 |
| Span. Pes. | 8 | 139.40-139.85 | 139.45-139.55 | 25-125c dis | -6.45 | 120-220c dis | -4.87 |
| Lira | 10½ | 1,616-1,621 | 1,617-1,618 | 4-7 lire dis | -4.08 | 10-14 lire dis | -2.97 |
| Nrwgn. K. | 7 | 9.80½-9.88 | 9.81½-9.82½ | 1½-3½ore dis | -3.06 | 7½-9½ore dis | -3.36 |
| French Fr. | 9½ | 8.42-8.48½ | 8.44-8.45 | 2¾-1¼c pm | 3.20 | 7½-5½c pm | 3.20 |
| Swedish Kr | 6½ | 8.68-8.73 | 8.68½-8.69½ | 3-1ore pm | 2.78 | 5½-3½ore pm | 3.02 |
| Yen | 3½ | 566-575 | 570-572 | 3.05-2.75y pm | 7.82 | 8.15-8.80y pm | 9.87 |
| Austria Sch | 4½ | 26.85-27.10 | 26.85-26.95 | 15-5 gro pm | 4.46 | 37-27 gro pm | 4.76 |
| Swiss Fr. | 1 | 3.02½-3.07 | 3.02½-3.03½ | 3¼-2¼c pm | 10.88 | 10-9½c pm | 12.88 |

Belgian rate is for convertible francs. Financial franc 62.00-62.10.

Six-month forward dollar 3.20-3.10c pm. 12-month 5.65-5.55c pm.

### GOLD

| | Oct. 13 | Oct. 12 |
|---|---|---|
| Gold Bullion (a fine ounce) | | |
| Close | [illegible] | [illegible] |
| Opening | [illegible] | [illegible] |
| Morning fixing | [illegible] | [illegible] |
| Afternoon fixing | [illegible] | [illegible] |
| Gold Coins domestically Krugerrand | [illegible] | [illegible] |
| New Sovereigns | [illegible] | [illegible] |
| Old Sovereigns | [illegible] | [illegible] |
| Gold Coins internationally Krugerrand | [illegible] | [illegible] |
| New Sovereigns | [illegible] | [illegible] |
| Old Sovereigns | [illegible] | [illegible] |
| $20 Eagles | [illegible] | [illegible] |
| $10 Eagles | [illegible] | [illegible] |
| $5 Eagles | [illegible] | [illegible] |

### THE DOLLAR SPOT / FORWARD AGAINST $

| October 13 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| Canad'n $* | 84.38-84.59 | 84.47-84.58 | [illegible] | [illegible] | [illegible] | [illegible] |
| Guilder | 2.0250-2.0340 | 2.0250-2.0265 | 1.05-1.25c dis | [illegible] | [illegible] | [illegible] |
| Belgian Fr | 29.25-29.54 | 29.25-29.35 | 18-22c dis | [illegible] | [illegible] | [illegible] |
| Danish Kr | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| D-Mark | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Port. Esc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Lira | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Nrwgn. Kr | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| French Fr | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Swedish Kr | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Yen | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Austria Sch | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Swiss Fr | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

* U.S. cents per Canadian $.

### OTHER MARKETS

| Oct. 13 | £ | $ | | Note Rates |
|---|---|---|---|---|
| Argentina Peso | 1,745-1,749 | 878.43-880.40 | Austria | 28.5-27.5 |
| Australia Dollar | 1.6995-1.7165 | 0.8555-0.8590 | Belgium | 61.5-62.5 |
| Finland Markka | 7.840-7.865 | 3.9670-3.9690 | Denmark | 10.35-10.55 |
| Brazil Cruzeiro | 37.61-38.61 | 18.5-19.44 | France | 8.40-8.50 |
| Greek Drachma | 70.930-72.667 | 35.70-36.58 | Germany | 3.65-3.75 |
| Hong Kong Dollar | 9.3575-9.3800 | 4.7260-4.7310 | Italy | 1600-1650 |
| Iran Rial | 137-145 | 70.40-70.65 | Japan | 571-581 |
| Kuwait Dinar (KD) | 0.532-0.542 | 0.2670-0.2785 | Netherlands | 4.00-4.10 |
| Luxembourg Franc | 58.30-58.40 | 29.36-29.38 | Norway | 9.80-9.90 |
| Malaysia Dollar | 4.38-4.41 | 2.2210-2.2240 | Portugal | 88-104 |
| New Zealand Dollar | 1.8540-1.8610 | 0.9333-0.9358 | Spain | 141-146 |
| Saudi Arabia Riyal | 6.55-6.61 | 3.3175-3.3210 | Switzerland | 3.00-3.10 |
| Singapore Dollar | 4.32-4.34 | 2.1900-2.191 | United States | 1.97½-1.98¼ |
| South African Rand | 1.7131-1.7391 | 0.8624-0.8755 | Yugoslavia | 41-43 |

Rate given for Argentina is free rate.

### EXCHANGE CROSS RATES

| Oct. 13 | Pound Sterling | U.S. Dollar | Deutsche Mark | Japanese Yen | French Franc | Swiss Franc | Dutch Guilder | Italian Lira | Canada Dollar | Belgian Franc |
|---|---|---|---|---|---|---|---|---|---|---|
| Pound Sterling | 1. | 1.987 | 3.695 | 371.0 | 8.445 | 3.033 | 4.020 | 1616. | 2.353 | 58.35 |
| U.S. Dollar | 0.503 | 1. | 1.860 | 186.8 | 4.251 | 1.527 | 2.024 | 814.2 | 1.184 | 29.37 |
| Deutsche Mark | 0.271 | 0.538 | 1. | 100.4 | 2.286 | 0.821 | 1.088 | 437.8 | 0.637 | 15.79 |
| Japanese Yen 1,000 | 2.695 | 5.354 | 9.960 | 1000. | 22.76 | 8.174 | 10.84 | 4360. | 6.341 | 157.3 |
| French Franc 10 | 1.184 | 2.352 | 4.375 | 439.3 | 10. | 3.591 | 4.760 | 1915. | 2.786 | 69.09 |
| Swiss Franc | 0.330 | 0.655 | 1.218 | 122.3 | 2.785 | 1. | 1.326 | 533.4 | 0.776 | 19.24 |
| Dutch Guilder | 0.249 | 0.494 | 0.919 | 92.29 | 2.101 | 0.754 | 1. | 402.0 | 0.585 | 14.51 |
| Italian Lira 1,000 | 0.618 | 1.228 | 2.284 | 229.4 | 5.221 | 1.875 | 2.485 | 1000. | 1.464 | 36.07 |
| Canadian Dollar | 0.425 | 0.844 | 1.571 | 157.7 | 3.590 | 1.289 | 1.709 | 687.6 | 1 | 24.80 |
| Belgian Franc 100 | 1.714 | 3.404 | 6.332 | 635.8 | 14.47 | 5.197 | 6.889 | 2772. | 4.032 | 100. |

### MONEY RATES

**NEW YORK**

| | |
|---|---|
| Prime Rate | 9.75-10 |
| Fed Funds | 8⅞ |
| Treasury Bills (13-week) | 7.95 |
| Treasury Bills (26-week) | 8.37 |

**GERMANY**

| | |
|---|---|
| Discount Rate | 3.45 |
| Overnight | 3.175 |
| One month | 3.575 |
| Three months | 3.85 |
| Six months | 3.95 |

**FRANCE**

| | |
|---|---|
| Discount Rate | 9.5 |
| Overnight | 7.125 |
| One month | 7.25 |
| Three months | 7.75 |
| Six months | [illegible] |

**JAPAN**

| | |
|---|---|
| Discount Rate | 3.5 |
| Call (Unconditional) | 4.375 |
| Bills Discount Three months | 4.625 |

### LONDON MONEY RATES

| Oct. 13 1978 | Sterling Certificate of deposit | Interbank | Local Authority deposits | Local Auth. negotiable bonds | Finance House Deposits | Company Deposits | Discount market deposit | Treasury Bills♦ | Eligible Bank Bills♦ | Fine Trade Bills♦ |
|---|---|---|---|---|---|---|---|---|---|---|
| Overnight | — | 6-8½ | 8⅞-9 | — | — | 8⅝-9¼ | 7-8½ | — | — | — |
| 2 days notice | — | — | | — | — | — | — | — | — | — |
| 7 days or | — | — | | — | — | 9⅜ | — | — | — | — |
| 7 days notice | — | 8½-9 | 9-9½ | — | — | — | — | — | — | — |
| One month | 9⅞-9⅞ | 9¾-10 | [illegible] | 9⅞-10¼ | 10¼ | 9⅞-9⅞ | 8¾-9½ | 9⅛-9⅞ | 9⅞-9⅞ | 10¼ |
| Two months | 10¼-10¼ | 9¾-10¼ | [illegible] | 10-10¼ | 10¼ | [illegible] | 9½ | 9⅞-9⅞ | 9⅞-10 | 10⅝ |
| Three months | 10⅝-10⅞ | 10½-10⅞ | 10-10⅛ | 10¼-10⅜ | 10⅞ | 9⅞-9⅞ | 9⅝ | 9⅞-10 | 10-10⅛ | 10⅞ |
| Six months | 10¾-10⅞ | 10⅞-11⅛ | [illegible] | 10⅞-11⅛ | 11⅛ | — | — | — | 10⅞-11 | 11 |
| Nine months | 10⅞-11 | 11-11⅛ | — | 10⅞-11⅛ | 11⅛ | — | — | — | — | — |
| One year | 10⅞-11 | 11⅛-11⅜ | 10⅞-10⅝ | 10⅞-11⅛ | 11⅛ | — | — | — | — | — |
| Two years | — | — | 10⅞-11⅞ | — | — | — | — | — | — | — |

Local authority and finance houses seven days' notice, others seven days' fixed. Longer term local authority mortgage rates nominally three years 11½-12 per cent; four years 12-12¼ per cent; five years 12¼-12½ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 10⅛ per cent; four-month trade bills 10⅝ per cent.

Approximate selling rate for one-month Treasury bills 9⅞-9⅞ per cent; two-month 9⅞ per cent; three month 9⅞-9⅞ per cent. Approximate selling rate for one-month bank bills 9⅞-9⅞ per cent; two-month 9⅞-9⅞ per cent; three month 10⅛ per cent. One-month trade bills 10⅛ per cent; two-month 10⅜ per cent; and also three month 10⅝ per cent.

Finance House Base Rates (published by the Finance Houses Association): 9½ per cent from October 1, 1978. Clearing Bank Deposit Rates for small sums at seven days' notice 6½-7 per cent. Clearing Bank Base Rates for lending 10 per cent. Treasury Bills: Average tender rates of discount 9.8503 per cent.

## RECENT ISSUES

### EQUITIES

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1978 High | 1978 Low | Stock | Closing Price p | + or − | Div. | Times Covered | Gross Yield | P.E. Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 776 | F.P. | 27/10 | 855 | 800 | British Alum'ium [illegible] | 825 | −25 | [illegible] | [illegible] | [illegible] | 9.0 3.5 |
| 101 | F.P. | 23/11 | 400 | 340 | Ferranti New | 370 | −10 | [illegible] | [illegible] | 2.3 | 9.8 |
| 101 | Nil | 22/12 | 50pm | 20pm | Do. Nil Paid | 27pm | −7 | [illegible] | [illegible] | 2.3 | 10.0 |
| [illegible] | F.P. | 24/11 | [illegible] | [illegible] | Mamet Nat Grp. Motor | 32 | −1½ | [illegible] | [illegible] | 9.6 | 11.3 |
| [illegible] | F.P. | — | 122 | 100 | Nightwoo | 117 | — | [illegible] | [illegible] | — | 4.9 |

### FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc. Date | 1978 High | 1978 Low | Stock | Closing Price £ | + or − |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### "RIGHTS" OFFERS

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1978 High | 1978 Low | Stock | Closing Price p | + or − |
|---|---|---|---|---|---|---|---|
| 66 | F.P. | [illegible] | [illegible] | [illegible] | Aeronson Bros. | 75 | −2 |
| 285 | F.P. | [illegible] | [illegible] | [illegible] | B.I.R. | 350 | −5 |
| 390c | F.P. | [illegible] | [illegible] | [illegible] | Barlow Rand | 210 | −16 |
| 50 | F.P. | [illegible] | [illegible] | [illegible] | Blackwood Hodge | 55 | −2 |
| 44 | F.P. | [illegible] | [illegible] | [illegible] | British Printing | 53 | −1½ |
| 12 | Nil | [illegible] | [illegible] | [illegible] | Carnage Wares | [illegible] | −½ |
| 118 | F.P. | [illegible] | [illegible] | [illegible] | Church | 145 | −1 |
| 265 | F.P. | [illegible] | [illegible] | [illegible] | Daejan | 309 | −1 |
| 100 | F.P. | [illegible] | [illegible] | [illegible] | Dufay Bitumastic 10% Cnv. Ln. | 101 | ...... |
| 65 | F.P. | [illegible] | [illegible] | [illegible] | Howden Group | 89 | −1 |
| 74 | Nil | [illegible] | [illegible] | [illegible] | Initial Services | [illegible] | −1½ |
| 10 | Nil | [illegible] | [illegible] | [illegible] | Kunick Holdings | [illegible] | ...... |
| 77 | F.P. | [illegible] | [illegible] | [illegible] | Lex Service | 89 | −2 |
| 85 | F.P. | [illegible] | [illegible] | [illegible] | Loo. & Midland Ind. | 105 | −1 |
| 38 | Nil | [illegible] | [illegible] | [illegible] | Pawson (W.L.) | [illegible] | −4½ |
| 77cts | Nil | [illegible] | [illegible] | [illegible] | Rand London | [illegible] | ...... |
| 40 | F.P. | [illegible] | [illegible] | [illegible] | Ratners (Jewellers) | 69 | −2 |
| 42 | F.P. | [illegible] | [illegible] | [illegible] | Reliance Knitwear | 52 | ...... |
| 200 | F.P. | 25/9 | 9/11 | 359 | Rowntree Mac. | 359 | +9 |
| 35 | Nil | 9/10 | 6/11 | [illegible] | Wearwell | 37 | −1 |
| 12 | Nil | — | — | [illegible] | Yorkgreen | 1pm | ...... |

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✦ With warrants.



# UK DIVIDENDS

The dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. Dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

| | Date | Announcement last year |
|---|---|---|
| Acrow | Nov. 3 | Int. 1.375 |
| Allied Irish Banks | Oct. 27 | Int. 1.8125 |
| Allnatt London Props. | Nov. 10 | Int. 1 |
| Anglo Am. Group | Oct. 19 | Finals due |
| Arbuthnot Latham | Nov. 14 | Int. 3.95 |
| AB Foods | Nov. 6 | Int. 0.7955 |
| *BPB Industries | Nov. 25 | Int. 3.8 |
| *Bk. of Ireland | Nov. 7 | Int. 5 |
| Beecham | Nov. 17 | Int. 8.58 |
| *Berec | Oct. 27 | Int. 1.0751 |
| *Berkeley Hambro Prop | Oct. 26 | Int. 1 |
| Berry Wiggins | Oct. 6 | Final nil |
| Boots | Nov. 10 | Int. 2.5 forecast |
| Brit. and Comm. Shipping | Nov. 17 | Int. 4.25 |
| *British Home Stores | Oct. 18 | Int. 2.9 |
| *Brooke Bond Liebig | Oct. 17 | Final 2.008 |
| Brown Shipley | Nov. 10 | Int. 4 |
| *Carliers Superfoods | Nov. 1 | Int 1.2 forecast |
| Cater Ryder | Nov. 9 | Int. 4.63 |
| Charter Consolidated | Nov. 13 | Int. 3.625 |
| Chloride | Nov. 15 | Int. 1.34 |
| *Coates Bros. | Oct. 19 | Int. 0.77496 |
| Coats Patons | Nov. 8 | Int. 1.1603 |
| Coral Leisure | Oct. 13 | Int. 5.5 |
| Courtaulds | Nov. 15 | Int. 2.408 |
| *Dawnay Day | Oct. 18 | Final 1 |
| De La Rue | Nov. 4 | Int. 7 |
| Ductile Steels | Oct. 16 | Final 3.298 |
| *Duport | Oct. 19 | Int. 1.323 |
| *EDITH | Oct. 24 | Int. 3 |
| *Fairview Ests. | Oct. 20 | Int. |
| *Furness Withy | Oct. 17 | Int. 3.5 |
| *Gerrard and National | Oct. 19 | Int. 4 |
| *Gill and Duffus | Oct. 25 | Int. 3.96 |
| Gt. Portland Ests. | Nov. 14 | Int. 1 |
| *Hawker Siddeley | Oct. 18 | Int. 1.8848 |
| Heath (C. E.) | Nov. 8 | Int. 1.422 |
| Hepworth (J.) | Oct. 28 | Final 1.65 |
| *Highland Dist. | Oct. 23 | Final 2.087 |
| Hill Samuel | Nov. 16 | Int. 1.675 |
| Hoveringham | Oct. 24 | Int. 0.55 |
| *Laing (J.) | Oct. 27 | Int. 1.25 |
| Land Secs. | Nov. 16 | Int. 1.5 |
| London Brick | Oct. 27 | Int. 1.2672 |
| *London and Northern | Nov. 8 | Int. 0.8 |
| Lucas Inds. | Nov. 7 | Final 6.098 |
| Mallinson Denny | Nov. 1 | Int. 1.25 |
| *Marks and Spencer | Oct. 17 | Int. 1.7 |
| Martonair | Nov. 8 | Final 3.796 |
| *Metal Box | Nov. 21 | Int. 6.6 |
| Minster Assets | Nov. 8 | Int. 1.523 |
| *Mothercare | Oct. 23 | Int. |
| Pearson (S.) | Oct. 7 | Int. 2 |
| Readicut Int. | Nov. 9 | Int. 0.473 |
| Redland | Nov. 17 | Int. 2.094 |
| Reed Intl. | Nov. 1 | Int. 5.9555 |
| Rothschild Inv. Tst. | Nov. 14 | Int. 1.5 |
| *Rugby Port. Cement | Oct. 16 | Int. 1.069 |
| *600 Group | Nov. 30 | Int. 1.85 |
| Sainsbury (J.) | Nov. 9 | Int. 2.0328 |
| *Sheepbridge Eng. | Oct. 26 | Int. 1.2394 |
| Smith Inds. | Nov. 8 | Final 4.2603 |
| Smith (W. H.) | Nov. 10 | Int. 1.64545 |
| *Spillers | Oct. 25 | Int. 0.825 |
| *Spirax-Sarco | Oct. 17 | Int. 3.6937 |
| Staflex Int. | Nov. 11 | Int. nil |
| Staveley Inds. | Nov. 9 | Sec. int. 4 |
| Swan Hunter | Oct. 11 | Final 3.669 |
| *UBM | Oct. 18 | Int. 1.7856 |
| Unilever | Nov. 16 | Int. |
| Utd. Real Prop. | Oct. 10 | Final 3.9 |
| Whitbread | Nov. 8 | Int 1.147 |
| *Wilmot Breeden | Oct. 18 | Int 1.2 |
| Wood Hall Tst. | Nov. 3 | Final 4.841 |
| *Youghal Carpets | Oct. 25 | Int. 2.045 |

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

### BASE LENDING RATES

| | | | |
|---|---|---|---|
| A.B.N. Bank | 10 % | ■ Hambros Bank | 10 % |
| Allied Irish Banks Ltd. | 10 % | ■ Hill Samuel | §10 % |
| American Express Bk. | 10 % | C. Hoare & Co. | †10 % |
| Amro Bank | 10 % | Julian S. Hodge | 11 % |
| A P Bank Ltd. | 10 % | Hongkong & Shanghai | 10 % |
| Henry Ansbacher | 10 % | Industrial Bk. of Scot. | 10 % |
| Banco de Bilbao | 10 % | Keyser Ullmann | 10 % |
| Bank of Credit & Cmce. | 10 % | Knowsley & Co. Ltd. | 12 % |
| Bank of Cyprus | 10 % | Lloyds Bank | 10 % |
| Bank of N.S.W. | 10 % | London Mercantile | 10 % |
| Banque Belge Ltd. | 10 % | Edward Manson & Co. | 11½% |
| Banque du Rhone | 10½% | Midland Bank | 10 % |
| Barclays Bank | 10 % | ■ Samuel Montagu | 10 % |
| Barnett Christie Ltd. | 11 % | ■ Morgan Grenfell | 10 % |
| Bremar Holdings Ltd. | 11 % | National Westminster | 10 % |
| Brit. Bank of Mid. East | 10 % | Norwich General Trust | 10 % |
| Brown Shipley | 10 % | P. S. Refson & Co. | 10 % |
| Canada Perm't Trust | 10 % | Rossminster | 10 % |
| Cayzer Ltd. | 10 % | Royal Bk. Canada Trust | 10 % |
| Cedar Holdings | 10½% | Schlesinger Limited | 10 % |
| ■ Charterhouse Japhet | 10 % | E. S. Schwab | 11½% |
| Choulartons | 10 % | Security Trust Co. Ltd. | 11 % |
| C. E. Coates | 10 % | Shenley Trust | 11 % |
| Consolidated Credits | 10 % | Standard Chartered | 10 % |
| Co-operative Bank | *10 % | Trade Dev. Bank | 10 % |
| Corinthian Securities | 10 % | Trustee Savings Bank | 10 % |
| Credit Lyonnais | 10 % | Twentieth Century Bk. | 11 % |
| Duncan Lawrie | 10 % | United Bank of Kuwait | 10 % |
| The Cyprus Popular Bk. | 10 % | Whiteaway Laidlaw | 10½% |
| Eagil Trust | 10 % | Williams & Glyn's | 10% |
| English Transcont. | 11 % | Yorkshire Bank | 10 % |
| First Nat. Fin. Corp. | 11½% | | |
| First Nat. Secs. Ltd. | 11 % | | |
| ■ Antony Gibbs | 10 % | | |
| Greyhound Guaranty | 10 % | | |
| Grindlays Bank | ‡10 % | | |
| ■ Guinness Mahon | 10 % | | |

■ Members of the Accepting Houses Committee.
* 7-day deposits 7%, 1-month deposits 7½%.
† 7-day deposits on sums of £10,000 and under 6½%, up to £25,000 7¼%, and over £25,000 7½%.
‡ Call deposits over £1,000 7%.
§ Demand and deposits 7½%.

# MINING

## BH South still defying its handicaps

BY LODESTAR

FROM TIME to time attention has been drawn here to the possible bullish implications for Australia's BH South of the building up of its stake in the company by the associated Collins House group's North Broken Hill Holdings which at June 30 last held 16 per cent of BHS.

The latter's shares have subsequently been a remarkably firm market considering the disastrous demise of what was once regarded as one of the company's major attractions, the Queensland phosphate venture.

On top of that BHS has turned in another thumping loss for the year to June and is having to raise about A$50m (£29m) by selling off part of its other main attraction, its investment portfolio which includes the important 16.8 per cent holding in the thriving Alcoa of Australia in which the other partners are the Aluminum Company of America with 51 per cent, Western Mining 20 per cent and NBHH 12 per cent.

There are two reasons why BHS shares have remained so buoyant in spite of all these handicaps. Firstly, there is the feeling that once it has extricated itself from the financial entanglements of the phosphate imbroglio it will have enough assets left to become once again a mining investment company with growth potential, a cleaned-up balance sheet and a return to profitability and possibly the dividend list in the year to next June.

Secondly, as has been suggested here before, there has always been the possibility that BHS itself would become a take-over target, a possibility that first became evident when NBHH started defensively building up its stake therein.

The attraction has recently been summed up by London brokers Laing and Cruickshank with the verdict that the shares "remain outstanding value as an asset play in the Australian mining sector."

NBHH was naturally the favourite contender, but it has denied any intention of bidding for BHS. Last week Peko-Wallsend became a front runner, but here again there has been a denial. One feels that the last has not yet been heard of BH South's suitors.

The intriguing nature of the situation has been heightened by one of the favourite guessing games down-under. This is as to who will take over at least part of the highly valuable BHS stake in the unquoted Alcoa of Australia. It is felt that one of the insurance companies could be in the running.

The American Alcoa is considered a non-starter owing to the foreign investment implications. Western Mining has too many other irons in the fire and has anyway now denied any intention of taking over any part of the BHS portfolio. NBHH has the necessary resources, so could still be in the running.

Meanwhile, it has been reported in Sydney that BHS has been selling Western Mining and NBHH on the open market. Altogether, the situation bristles with enough possibilities to enable BHS holders to sit back contentedly and await events. The shares were A$1.51 in Sydney on Friday, virtually the year's best. In London they were 122p.

* * *

Three weeks ago it was suggested here that West Rand Consolidated was the front runner for turning to account the uranium reserves of the old Luipaards Vlei mine now wholly-owned by the Gold Fields group's Gold Fields Property Company.

Agreement in principle has now been reached for such a deal providing a suitable sales contract can be negotiated.

West Rand will pay Luipaards R3m (£1.74m), which GFP will presumably use for building up its investment portfolio in South Africa, while Luipaards will also be entitled to a quarter of pre-tax profits from uranium production.

It is reckoned that this could start in the second half of next year. Capital expenditure of around R1m is to be borne by Luipaards as to 25 per cent.

The news pushed up the prices of both West Rand and GFP particularly the latter which at 73p could once again be offering a good selling opportunity just as they did a year ago when the uranium excitement first bit the market.

* * *

Those who still wish to dabble in the Australian diamond rush scene might be interested to hear the rather defensive philosophy put forward by one of the junior participants therein and in particular his answer to the charge that such concerns seem to be keen enough on claim-pegging, but less eager to do any actual exploration.

You see, he said, you have to join in the latest claim-pegging scamper whether it be for nickel, uranium or diamonds in order to stimulate your share price sufficiently to make it possible to raise funds by a rights issue or a placing.

And until you have the money it is not possible to do any actual probing of your claims.

# INSURANCE

## Taking some risk out of high rise

BY OUR INSURANCE CORRESPONDENT

MY ATTENTION this week has been drawn to a paper "Sprinklers in high rise buildings" originally written for the Building Research Establishment by Messrs. Nash and Young and now included in the October issue of Foresight, which is the journal of risk management. Before going on it is best (as in fact the authors do) to define the term "high rise."

High rise is not synonymous with skyscraper. Depending on local legislation it may even be a building only 42 feet high—this is the Dutch yardstick. In the UK buildings from 60 feet, 80 feet or 100 feet upwards may be categorised as high rise depending upon which regulations apply.

Filling out these measurements the authors offer two other definitions—a high rise building is one of such height as to preclude the rescue of the occupants from upper floors by the use of fire brigade equipment operating from the ground, or a building in which fires must be fought internally because of its height.

So high rise buildings are not necessarily tower blocks for which in this country there has been a distinct waning of enthusiasm both socially and commercially. There are many medium sized buildings which come within the authors' paper and for which, for example, the reported research into New York high rise fires may be relevant.

Of course, high rise in New York means a lot higher rise than here and in New York there is a special building code for buildings over 100 feet in height. Nash and Young report on data assembled concerning 600 sprinklered high rise buildings, of which 115 were offices, the rest ranging from factories and stores to hotels and flats.

In a 3½-year period, 661 fires occurred and sprinklers successfully controlled or extinguished 654 fires.

Regarding the seven fires which sprinklers failed to control, in five the systems were completely shut off, in one the system is thought to have been partly out of service and in one an unspecified "extremely hazardous activity" was involved.

This kind of data does not, on its own, make a conclusive case for sprinklers in high rise building but it does provide very weighty evidence which no one in this country concerned with these buildings can afford to ignore—lease of all insurers, whether they are providing fire and profits cover on buildings and contents or liability cover for owners and occupiers.

For many years, insurers have offered substantial discounts for the installation of sprinklers to agreed standards—but so far it has been the exception rather than the rule for insurers to insist on the installation of sprinklers as a prerequisite on the provision of cover.

But increasingly high rise buildings and their contents are among these exceptions and because of the very substantial values at risk, insurers are holding that sprinklers are vital.

In this, perhaps, their resolve is being stiffened by regulations such as those applied by the Greater London Council compelling installation.

From the liability aspect the unsprinklered high rise building must pose a greater risk both for the visiting public and employees than does one with an effective system, but this is not yet counted as more than a marginal factor in the premium rating of either kind of liability risk.

Be this as it may, perhaps as the effect of the 1974 Health and Safety Act is increasingly felt, pressure for improvement will be put on occupiers and employers in existing unsprinklered buildings, not yet caught by regulations.

There are of course fire prevention and fire protection devices other than sprinklers and some may perhaps be appropriate for high rise buildings. But Nash and Young emphasise "the geometry of the high rise building is such that for life and property safety fire precautions must be such that the fire will be contained in a limited area, without danger of collapse of the structure or spread of the smoke, fire and toxic gases through the building. No protection less than necessary to achieve this aim will be an acceptable solution."

## Lloyd's backs Operation Drake venture

THE LLOYD'S insurance market is supporting the Operation Drake venture by insuring, on special terms, the Eye of the Wind, the floating base for a round-the-world voyage for young people to commemorate the fourth centenary of Sir Francis Drake's circumnavigation of the world.

The 150-ton brigantine will set sail from Plymouth on Sunday.

Arrangements have been completed for the vessel to be insured at Lloyd's on a hull value of £80,000.

# WORLD STOCK MARKETS

## Indices

### NEW YORK—DOW JONES

| | Oct. 13 | Oct. 12 | Oct. 11 | Oct. 10 | Oct. 9 | Oct. 6 | 1978 High | 1978 Low | Since Compilat'n High | Since Compilat'n Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Industrials | 897.09 | 895.74 | 901.42 | 891.63 | 893.19 | 888.02 | 907.74 (8/9) | 742.12 (28/2) | 1051.70 (11/1/73) | 41.22 (2/7/32) |
| H'me B'nds* | 88.50 | 88.55 | 88.21 | 88.28 | 88.58 | 88.52 | 90.66 (4/1) | 85.78 (11/7) | — | — |
| Transport | 249.31 | 250.12 | 249.85 | 248.55 | 248.30 | 246.82 | 261.49 (8/9) | 199.31 (9/1) | 279.88 (7/2/69) | 13.23 (8/7/32) |
| Utilities | 106.77 | 105.70 | 106.57 | 106.73 | 106.63 | 106.22 | 110.98 (5/1) | 102.84 (22/2) | 163.32 (20/4/69) | 10.58 (28/4/42) |
| Trading vol. 000's | 21,920 | 30,170 | 21,790 | 25,470 | 19,720 | 27,380 | — | — | — | — |

* Basis of Index changed from August 24

| Ind. div. yield % | Oct. 6 | Sept. 29 | Sept. 22 | (Year ago approx) |
|---|---|---|---|---|
| | 5.39 | 5.48 | 5.50 | 5.37 |

### STANDARD AND POORS

| | Oct. 13 | Oct. 12 | Oct. 11 | Oct. 10 | Oct. 9 | Oct. 6 | 1978 High | 1978 Low | Since Compilat'n High | Since Compilat'n Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Industrials | 116.09 | 116.29 | 116.56 | 115.99 | 116.09 | 114.64 | 118.71 (12/9) | 95.52 (6/3) | 134.54 (11/1/73) | 3.52 (30/6/32) |
| §Composite | 104.66 | 104.88 | 105.39 | 104.49 | 104.56 | 103.52 | 106.99 (12/9) | 86.90 (6/3) | 125.85 (11/1/63) | 4.40 (1/6/32) |

| | Oct. 11 | Oct. 4 | Sept. 27 | Year ago (approx.) |
|---|---|---|---|---|
| Ind. div. yield % | 4.69 | 4.79 | 4.86 | 4.75 |
| Ind. P/E Ratio | 9.81 | 9.59 | 9.45 | 9.28 |
| Long Gov. Bond yield | 8.58 | 8.54 | 8.58 | 7.76 |

### N.Y.S.E. ALL COMMON

| Oct. 13 | Oct. 12 | Oct. 11 | Oct. 10 | 1978 High | 1978 Low |
|---|---|---|---|---|---|
| 56.95 | 59.06 | 59.29 | 58.84 | 60.38 (11/9) | 48.37 (6/3) |

**Rises and Falls**

| | Oct. 13 | Oct. 12 | Oct. 11 |
|---|---|---|---|
| Issues traded | 1,882 | 1,883 | [illegible] |
| Rises | 535 | 678 | [illegible] |
| Falls | 853 | 774 | [illegible] |
| Unchanged | 495 | 451 | [illegible] |
| New Highs | — | — | [illegible] |
| New Lows | — | — | [illegible] |

| | | Oct. 13 | Oct. 12 | Oct. 11 | Oct. 10 | 1978 High | 1978 Low |
|---|---|---|---|---|---|---|---|
| MONTREAL | Industrial | 210.75 | 221.46 | 222.74 | 221.64 | 222.14 (11/10) | [illegible] |
| | Combined | 225.33 | 228.51 | 225.81 | 224.88 | 226.81 (12/10) | 170.82 [illegible] |
| TORONTO | Composite | 1322.7 | 1332.7 | 1327.8 | 1324.9 | 1332.7 (12/10) | [illegible] |
| JOHANNESBURG | Gold | 254.8 | 258.5 | 262.5 | (e) | 272.8 (14/8) | [illegible] |
| | Industrial | 269.5 | 269.4 | 268.7 | (e) | 271.1 (15/9) | 194.9 [illegible] |

| | Oct. 13 | Previous | 1978 High | 1978 Low |
|---|---|---|---|---|
| Australia (§) | 561.65 | 568.52 | 566.79 (22/9) | 411.19 (1/5) |
| Belgium (‖) | 99.63 | 99.60 | 101.16 (8/6) | 90.43 (25/5) |
| Denmark (**) | 94.61 | 94.47 | 98.95 (14/6) | 94.00 (6/2) |
| France (††) | 80.5 | 81.5 | 85.0 (4/10) | 47.6 (3/2) |
| Germany (‡‡) | 859.50 | 855.60 | 869.50 (15/10) | 759.4 (17/5) |
| Holland (§§) | 86.9 | 86.6 | 93.1 (11/9) | 78.0 (4/4) |
| Hong Kong (¶¶) | 639.14 | 638.65 | 707.70 (4/9) | 383.4 (15/14) |
| Italy (‖‖) | 77.53 | 78.09 | 82.52 (20/9) | 55.95 (10/1) |
| Japan (a) | 433.38 | 432.23 | 435.76 (6/10) | 364.04 (4/10) |
| Singapore (b) | 374.46 | 376.32 | 414.60 (6/9) | 252.0 (9/1) |

| | Oct. 13 | Previous | 1978 High | 1978 Low |
|---|---|---|---|---|
| Spain (d) | 96.96 | (e) | 110.75 (8/5) | [illegible] |
| Sweden (e) | 375.15 | 375.49 | 408.00 (8/4) | [illegible] |
| Switzerld (f) | 267.2 | 267.7 | 325.7 (14/2) | [illegible] |

Indices and base dates (all base values 100 except NYSE All Common—50; Standards and Poors—10; and Toronto 300—1,000, the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Industrials, 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary. ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73. †† Paris Bourse 1961. ‡‡ Commerzbank Dec. 1953. §§ Amsterdam Industrial 1970. ¶¶ Hang Seng Bank 31/7/64. ‖‖ Banca Commerciale Italiana 1972. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 30/12/77. e Stockholm Industrial 1/1/58. f Swiss Bank Corporation. u Unavailable.

## EUROPE

### AMSTERDAM

| Oct. 13 | Price Fls. | + or − | Div. % | Yld. % |
|---|---|---|---|---|
| Ahold (Fl. 20) | 114.5 | −1.1 | 28 | 4.9 |
| Akzo (Fl. 20) | 31.2 | −0.2 | — | — |
| AlgemBnk (Fl. 100) | 365.5 | −0.5 | A25 | 7.8 |
| AMEV (Fl. 10) | 86.9 | +0.4 | 50 | 5.8 |
| Amrobank (Fl. 20) | 76.0xd | | A25 | 5.9 |
| Bijenkorf | 95.8 | −0.5 | 26 | 5.4 |
| BokaWestm (Fl. 10) | 152.0 | +0.5 | 82 | 6.5 |
| Buhrm Tetterode | 72.2 | +0.1 | 26 | 7.2 |
| Elsevier (Fl. 20) | 300.5 | −1.5 | 27.5 | 1.6 |
| Ennia N.V. Bearer | 141.0 | −0.5 | 47.5 | 5.4 |
| EuroComTst (Fl. 10) | 71.8 | | 94.5 | 4.8 |
| Gist Brocades (Fl.) | 38.6 | −0.8 | 20 | 5.3 |
| Heineken (Fl. 25) | 99.5 | +0.8 | 14 | 3.5 |
| Hoogovens (Fl. 20) | 40.3 | +0.2 | — | — |
| Hunter D. (Fl. 20) | 24.2 | −0.5 | 12 | 5.2 |
| K.L.M. (Fl. 100) | 161.7 | +0.7 | 8 | 4.9 |
| Int. Muller (Fl. 20) | 45.2 | −0.5 | 19 | 8.4 |
| Naarden (Fl. 10) | 26.2 | | 12.5 | 4.6 |
| Nat. Ned Ins (Fl. 10) | 109.6 | +0.5 | 48 | 4.4 |
| Ned Cred Bk (Fl. 20) | 66.4 | +1.9 | 21 | 7.5 |
| Ned Mid Bk (Fl. 50) | 206.3 | +0.2 | 22 | 5.3 |
| Oce (Fl. 20) | 176.0 | −0.5 | 36 | 4.1 |
| Ogem | 34.5 | +1.0 | 26 | 6.7 |
| Van Ommeren | 150.5 | | — | — |
| Pakhoed (Fl. 20) | 47.8 | −0.2 | — | — |
| Philips (Fl. 10) | 26.6 | +0.1 | 17 | 6.4 |
| RijnSchVer (Fl. 100) | 12.5 | −1.5 | — | — |
| Robeco (Fl. 50) | 178.1 | −1.3 | A26 | 7.3 |
| Rolinco (Fl. 50) | 141.5 | −0.9 | — | — |
| Rorento (Fl. 50) | 122.4 | +0.4 | 19.5 | 3.8 |
| Royal Dutch (Fl. 20) | 130.5 | −0.2 | 56.75 | 8.3 |
| Slavenburg | 245.0 | +1.5 | 20 | 8.5 |
| Tokyo Pac Hold | 144.0 | −0.6 | 30.50 | 0.5 |
| Unilever (Fl. 20) | 126.2 | +0.2 | 42 | 6.8 |
| Viking Res. (Fl. 25) | 41.7 | | 40.41 | 1.0 |
| West Utr. Hyp. Bk | 405 | −5 | 34 | 5.4 |

### VIENNA

| Oct. 13 | Price % | + or − | Div. % | Yld. % |
|---|---|---|---|---|
| Creditanstalt | 342 | | 10 | 2.9 |
| Perlmooser | 271 | | 9 | 3.3 |
| Selecta | 631 | −2 | 38 | 7.0 |
| Semperit | 86 | | — | — |
| Steyr Daimler | 225 | | 8 | 3.4 |
| Veit Magnesit | 258 | +1 | 7 | 4.5 |

### BRUSSELS/LUXEMBOURG

| Oct. 13 | Price Frs. | + or − | Div. Frs. Net | Yld. % |
|---|---|---|---|---|
| Arbed | 2,400 | | — | — |
| Bekaert "B" | 2,550 | +10 | 116 | 4.5 |
| C.B.R. Cement | 1,200 | −2 | 100 | 8.8 |
| Cockerill | 440 | −5 | — | — |
| EBES | 2,330 | −5 | 177 | 7.6 |
| Electrobel | 6,720 | −20 | 450 | 6.4 |
| Fabrique Nat. | 3,100 | | 170 | 5.5 |
| G.B. Inno-Bm. | 2,420 | −30 | 150 | 6.0 |
| Gevaert | 1,400 | −20 | 85 | 6.1 |
| GBL (Brux L) | 1,590 | +10 | 90 | 5.7 |
| Hoboken | 2,875 | −50 | 170 | 6.0 |
| Intercom | 1,640 | | 142 | 7.7 |
| Kredietbank | 7,190 | | 290 | 4.0 |
| La Royale Belge | 6,000 | | 325 | 5.4 |
| Pan Holdings | 5,020 | | $2.56 | 2.6 |
| Petrofina | 3,490 | −110 | 180 | 5.1 |
| Soc. Gen. Banque | 3,145 | +45 | 205 | 6.5 |
| Soc. Gen. Belgique | 2,060 | +10 | 140 | 6.7 |
| Sofina | 3,215 | +10 | 216 | 6.7 |
| Solvay | 2,600 | +60 | A2.10 | 8.1 |
| Traction Elect. | 2,718 | +70 | 170 | 6.5 |
| UCB | 1,198 | −5 | — | — |
| Un Min. (1/10) | 842 | +10 | 50 | 6.0 |
| Vieille Montagne | 2,160 | +20 | — | — |

### COPENHAGEN ♦

| Oct. 13 | Price Kroner | + or − | Div. % | Yld. % |
|---|---|---|---|---|
| Andelsbanken | 141 | | 11 | 7.9 |
| Danske Bank | 126½ | −¼ | 12 | 9.5 |
| East Asiatic Co. | 160¼ | | 12 | 7.5 |
| Finansbanken | 152½ | +¼ | 16 | 9.8 |
| Bryggerier | 368½ | −1¼ | 12 | 3.3 |
| For. Papir | 87 | | — | — |
| Handelsbank | 127½ | | 12 | 9.6 |
| G.Nth'n H. (Kr80) | 264 | +¼ | 12 | 4.6 |
| Nord Kabel | 190¼ | | 12 | 6.3 |
| Novo Ind. | 117 | −2 | — | — |
| Oliefabrik | 128¼ | | — | 9.1 |
| Privatbank | 158¾ | −¼ | 11 | 7.9 |
| Provinsbank | 401 | −¼ | 12 | 3.0 |
| Smidth, Soren-sen | 171 | +¼ | 12 | 7.1 |
| Superfos | [illegible] | [illegible] | [illegible] | [illegible] |

### GERMANY ♦

| Oct. 13 | Price DM. | + or − | Div. % | Yld. % |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### SPAIN ♥

October 13 — Per cent

| | | |
|---|---|---|
| Asland | 123 | −2 |
| Banco Bilbao | 290 | −3 |
| Banco Atlantico (1,000) | 233 | — |
| Banco Central | [illegible] | [illegible] |
| Banco Exterior | [illegible] | [illegible] |
| Banco General | [illegible] | [illegible] |
| Banco Granada (1,000) | [illegible] | [illegible] |
| Banco Hispano | [illegible] | [illegible] |
| Banco Ind. Cat. (1,000) | [illegible] | [illegible] |
| B. Ind. Mediterraneo | [illegible] | [illegible] |
| Banco Madrid | [illegible] | [illegible] |
| Banco Popular | [illegible] | [illegible] |
| Banco Santander (250) | [illegible] | [illegible] |
| Banco Urquijo (1,000) | [illegible] | [illegible] |
| Banco Vizcaya | [illegible] | [illegible] |
| Banco Zaragozano | [illegible] | [illegible] |
| Bankunion | [illegible] | [illegible] |
| Banus Andalucia | [illegible] | [illegible] |
| Babcock Wilcox | [illegible] | [illegible] |
| CIC | [illegible] | [illegible] |
| Dragados | [illegible] | [illegible] |
| Inmobanif | [illegible] | [illegible] |
| E. I. Aragonesas | [illegible] | [illegible] |
| Espanola Zinc | [illegible] | [illegible] |
| Expl. Rio Tinto | [illegible] | [illegible] |
| Fecsa (1,000) | [illegible] | [illegible] |
| Fenosa (1,000) | [illegible] | [illegible] |
| Gal. Preciados | [illegible] | [illegible] |
| Grupo Velazquez (400) | [illegible] | [illegible] |
| Banco Central | [illegible] | [illegible] |
| Hidrola | [illegible] | [illegible] |
| Iberduero | [illegible] | [illegible] |
| Olarra | [illegible] | [illegible] |
| Papeleras Reunidas | [illegible] | [illegible] |
| Petroliber | [illegible] | [illegible] |
| Petroleos | [illegible] | [illegible] |
| Sarrio Papalera | [illegible] | [illegible] |
| Sniace | [illegible] | [illegible] |
| Sogefisa | [illegible] | [illegible] |
| Telefonica | [illegible] | [illegible] |
| Torras Hostench | [illegible] | [illegible] |
| Tubacex | [illegible] | [illegible] |
| Union Elec. | [illegible] | [illegible] |

### TOKYO ¶

| Oct. 13 | Prices Yen | + or − | Div. % |
|---|---|---|---|
| Asahi Glass | 330 | +2 | [illegible] |
| Canon | 424 | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |

Source: Nikko Securities, Tokyo

### STOCKHOLM

| Oct. 13 | Price Kronor | + or − | Div. Kr. | Yld. % |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### SWITZERLAND ♦

| Oct. 13 | Price Frs. | + or − | Div. % | Yld. % |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### MILAN

| Oct. 13 | Price Lire | + or − | Div. Lire | Yld. % |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### OSLO

| Oct. 13 | Price Kroner | + or − | Div. % | Yld. % |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### PARIS

| Oct. 13 | Price Frs. | + or − | Div. Frs. | Yld. % |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### HONG KONG

| | | |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

### BRAZIL

| | | | | |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Turnover Cr.[illegible] Volume [illegible]
Source: Rio de Janeiro SE.

### AUSTRALIA

| Oct. 13 | Aust. $ | + or − |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

### JOHANNESBURG

MINES

| October 13 | Rand | + or − |
|---|---|---|
| Anglo American Corpn. | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] |

INDUSTRIALS

| | | |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

Securities Rand U.S.$0.7[illegible]
(Discount of 36.[illegible]%)

NOTES: Overseas prices exclude $ premium. Belgian dividends are after withholding tax. [illegible]

## WALL STREET

### NEW YORK

| 1978 High | 1978 Low | Stock | Oct. 13 |
|---|---|---|---|
| 39 | 25 | Abbott Lab. | 34½ |
| 64½ | 45½ | Corning Glass | 61½ |
| 54½ | 42¼ | CPC Int'rn'tional | 53¾ |
| 36½ | 24½ | Crane | 35⅝ |
| 34⅛ | 28¼ | Johns Manville | 32¼ |
| 88½ | 66 | Johnson Johnson | 81¼ |
| 33⅛ | [illegible] | Johnson Control | 29⅜ |
| 58½ | 58 | Revlon | 54½ |
| 39¾ | 25¼ | Reynolds Metals | 33⅞ |
| 64 | 52¼ | Reynolds R. J. | 61 |
| [illegible] | [illegible] | [illegible] | [illegible] |

### CANADA

| 1978 High | 1978 Low | Stock | Oct. 13 |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

‡ Bid. § Asked. ¶ Traded. ‖ New Stock.

# INTERNATIONAL CAPITAL MARKETS

EUROBONDS

BY NICHOLAS COLCHESTER

## A tighter rein on DM issues

AFTER the market in Euro-sterling bonds had shed a dismal five points over the week, the German bankers came together in Frankfurt on Friday to give the thoroughbred DM-sector its monthly grooming. The Central Capital Market sub-committee decided upon a restrained calendar for the month beginning today.

Excluding issues for supra-national organisations like the European Investment Bank, which are not subject to this sort of self-regulation, the calendar lists only DM 425m worth bonds, against the original list for the previous month of DM 900m.

Including issues for these agencies, the total issue volume will be close to DM 1bn. Yet over half of this will be prime-quality paper, and the total must be set against the actual volume of DM issues last month of over DM 1.2bn, and against the rumours that were current in the market last week that next month's total would rise to DM 1.5bn.

The calendar leaves a clear impression that after a week in which fears of overloading pulled the market down by about ½, the sub-committee has decided upon conspicuous moderation.

Bank of America found itself caught up in this process of self-restraint. It was originally booked for a DM75m bond at the very end of the expiring calendar—Friday. In view of the strength of the market, and in line with the increase in the amount sought by Austria a week earlier, it asked for this to be doubled to DM150m.

The market then began to get nervous about issue volume, so it was not until the sub-committee had deliberated on Friday afternoon that Bank of America received the final go-ahead for the increased amount. Deutsche Bank will now manage the issue, with Dresdner Bank as co-manager.

It will be a 12-year bullet and the coupon of 5¾ per cent suggests that the offering price will be something below par. Deutsche Bank is due to announce a DM75m issue next week for another borrower, as yet unnamed.

International scepticism towards the outlook for British sterling coupled with a poor inflation, interest rates and week for the gilt market, led to the severe shake-out in the market for Eurosterling bonds. The prices of the Sears and Rowntree issues, for instance, both dropped 6 points last week and pushed their yields up to 13 per cent.

The week thus had the effect of increasing the return on such paper from inexplicably below to marginally above the yield on the (hard to find) equivalent gilts, and to not far short of the financing cost of holding inventory of such paper. The worst could therefore be over, but sentiment in the "Gilt market sugegsts that a further downward drift in prices remains probable.

With the prime rate going to 10 per cent, and with the dollar continuing its fall, it was another unhappy week in the dollar sector. Prices were off by up to ½ a point over the seven days. Yet, despite this and previous corrections, the market still has a magic carpet feel to it. Prime quality 15 year bonds are now yielding 9.3 per cent, and this is slightly below the current yield on floating rate notes and well below the six month Eurodollar rate of 10⅛ per cent.

Two dollar issues announced last week were floating rate notes, which tend to become more attractive as the idea of a prolonged period of high interest rates in the U.S. takes root. S. G. Warburg announced a $25m floater for the Swedish banking group Gotabanken on standard terms and with standard commissions.

But Credit Suisse First Boston and Credit Lyonnais later announced a $75m FRN for seven years for the Long Term Credit Bank of Japan which matched Warburg's earlier, controversial Bank of Tokyo issue in having a spread of ¼ per cent above the mean of the bid and offer rates for six month Eurodollars, rather than above the higher of the two. The 2 per cent commission is, however, said to be "classical" for an FRN of this maturity.

The French Franc sector remained very quiet last week with the recent EIB issue ending the week at the same level at which it had started, 99¾. Turnover was thin but a weakening of the price of this issue had been feared by some as a number of bonds are held by German investors who might have been tempted to sell as the Franc weakened against the Deutsche-Mark.

BONDTRADE INDEX AND YIELD

| | October 13 | | October 6 | | 1978 High | 1978 Low |
|---|---|---|---|---|---|---|
| Medium term | 98.21 | 8.79 | 98.35 | 8.26 | 99.84 (19/4) | 98.17 (13/10) |
| Long term | 92.36 | 8.85 | 92.48 | 8.83 | 94.07 (19/4) | 92.31 (13/10) |

EUROBOND TURNOVER
(nominal value in $m)

| | U.S. dollar bonds last week | U.S. dollar bonds previous week | Other bonds last week | Other bonds previous week |
|---|---|---|---|---|
| Euroclear | 436.3 | 1,026.7 | 486.7 | 342.3 |
| Cedel | 272.8 | 461.1 | 388.0 | 488.9 |

CURRENT INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Lead manager | Offer yield % |
|---|---|---|---|---|---|---|---|
| U.S. DOLLARS | | | | | | | |
| ††Canada | 400 | 1983 | 5 | * | * | Morgan Stanley | * |
| ††Canada | 350 | 1998 | 20 | * | * | Morgan Stanley | * |
| †Banque Exterieure d'Algerie | 40 | 1985 | 7 | 7¼‖ | 100 | National Bank of Abu Dhabi | 7.64‖ |
| †Gotabanken | 25 | 1988 | 10 | 6‖ | 100 | S.G. Warburg | 6.09‖ |
| §Central Telephone & Utilities Corp. | 40 | 1993 | — | 7 | * | Dean Witter Reynolds | * |
| †Long Term Credit Bank of Japan | 75 | 1985 | 7 | 5¼‖ | 100 | Crédit Suisse First Boston Credit Lyonnais | 5.32‖ |
| D-MARKS | | | | | | | |
| ‡**Estel NV | 50 | 1985 | 7 | 6¼ | 100 | Deutsche Bank | 6.25 |
| ‡Venezuela | 150 | 1990 | 9½ | 6½ | 100 | WestLB | 6.5 |
| §Marudai Food | 50 | 1987 | — | 3½ | 100 | Deutsche Bank | 3.5 |
| Banque Exterieure d'Algerie | 100 | 1985 | 6 | 7½ | * | DG Bank | * |
| Argentina | 150 | 1988 | 8 | 6½ | * | Deutsche Bank | * |
| ‡**Compagnie Financierer de la Deutsche Bank | 100 | 1984 | 5½ | 5 | — | Deutsche Bank | — |
| **Eurofima | 80 | 1988 | 8½ | 5½ | 99½ | Deutsche Bank | 5.568 |
| Austria | 150 | 1990 | 9½ | 5¾ | * | WestLB | * |
| **Commerzbank Int. | 100 | 1983 | 5 | 5 | 99½ | Commerzbank | 5.12 |
| Bank America Corp. | 150 | 1990 | 12 | 5¾ | * | Deutsche Bank | * |
| SWISS FRANCS | | | | | | | |
| †Malaysia | 80 | 1990 | n.a. | 4¾ | 100 | UBS | 4.75 |
| KUWAITI DINARS | | | | | | | |
| ‡Electrobras (g'teed Brazil) | 10 | 1985/90 | — | 8¼ | 100¼ | KIIC | 8.20 |

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ‖ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund.
Note: Yields are calculated on AIBD basis.

U.S. BONDS

BY STEWART FLEMING

## The Fed's will to control M1 in doubt

PRICES on the New York bond markets firmed last week after a steady decline since mid-September. But as they survey the dismal performance of the dollar on the foreign exchange markets, inflationary trends and the continued surge in short term interest rates, there can be few bond market participants who can muster much confidence about the outlook for long term rates.

In the money markets, recent forecasts that the commercial bank prime rate would soon be hitting double figures were fulfilled on Thursday when Chase Manhattan Bank lifted the rate to 10 per cent. One measure of the pressure in the short term credit markets is that at the end of August, the prime stood at 9 per cent.

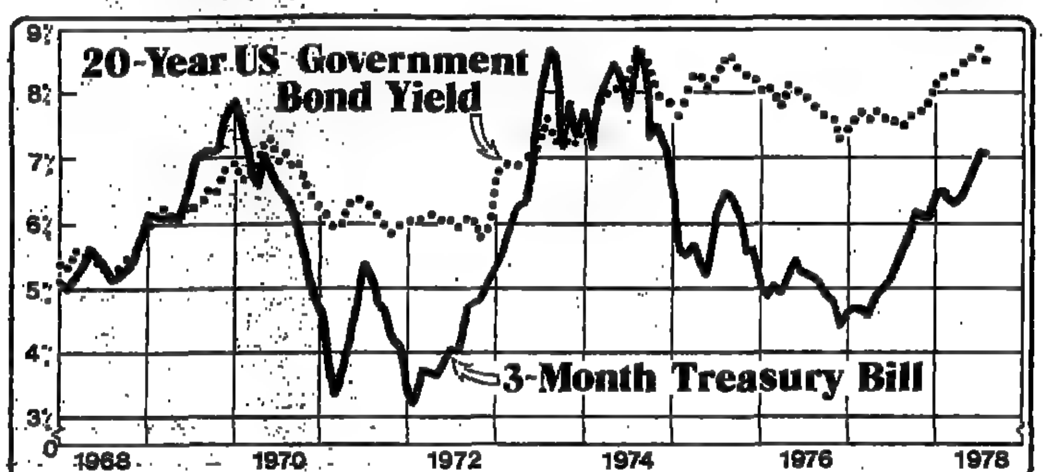
The strength of short-term credit demands and the continued resilience of the economy in the face of historically high (but not yet record) interest rates will be factors the Federal Reserve's Open Market Committee (FOMC) will have to consider at its regular monthly meeting on Tuesday. In spite of a $2bn decline in the narrow M1 measure or tax money supply in the latest banking week, monetary growth is way above the Fed's targets, and many economists argue that it is building new inflationary forces for 1979.

What is worse, perhaps, is that the Central Bank's determination to control the money supply is now seriously questioned. The chairman of Citibank, Mr. Walter Wriston, remarked this weekend that the Fed had not hit its M1 targets for 18 months, and suggested that it could do so if it really wanted to.

The presumed current Federal funds target rate of 8¾ per cent could well be raised at this week's FOMC meeting.

While the long-term bond markets will be paying close attention to credit market developments, there are other factors which will have to be taken into account. Some positive developments are renewed purchases of Treasury securities by foreign central banks, reflecting their intervention to support the dollar, and indications today that the Congress could settle for a $20bn or so tax cut, a less inflationary compromise than might have been expected after the Senate's near $30bn proposal.

But there is already mounting scepticism about the value of the forthcoming anti-inflation package from President Carter, particularly the expected voluntary wage-price guidelines. Most attention is focused on the growing conviction that the underlying inflation rate is now in the 7 to 8 per cent a year band, and showing no signs of slowing.




In spite of these concerns, however, bond market prices have still not declined to the lows registered in July. Triple-A rated long-dated utility bonds, for example, are currently yielding 9 per cent, compared with 9.13 per cent in mid-July, according to Salomon Brothers.

After the reassuring reception given to last week's corporate issues, a couple of more substantial offerings are coming to test the market this week. Commonwealth Edison, a large Chicago-based electric utility, is floating a $250m bond issue, and the nation's largest consumer finance company, Household Finance, is raising $100m of debentures due 1985 and $50m of debentures due 2008. The issues are managed by Goldman Sachs.

NOVO INDUSTRI

BY ANDREW FISHER

## Danish double debut

NOVO INDUSTRI, a fast-growing Danish pharmaceutical and biochemicals company, which expects to earn DKr 110m ($21m) before tax this year, is making a double debut on the international financial stage this month.

Having just become the first ever Danish concern to launch a convertible Eurobond issue, with a $20m offering at 7 per cent, it is now about to have its shares listed on the London Stock Exchange.

When Novo DKr 100 "B" shares are added to the London lists on October 24, it will be the first time since before the last war that a Danish industrial company has ventured into the unfamiliar territory of a foreign stock market.

Its reasons for doing so are plain enough. With 96 per cent of total sales (estimated at around DKr 950m in 1978) achieved abroad, its dependence on the state of the home economy is tenuous at most.

Yet only limited amounts of foreign currency can be moved out of Denmark to finance Novo's growing investment programme. So far, the group has paid for its non-Danish investments with foreign bank loans; it is now anxious to tap further sources of long-term capital.

Novo has attained prominent world market shares in both of its main areas of activity, pharmaceuticals and enzymes. In production of the latter for industrial use, sold on the open market, it is believed to lead the non-Communist world.

It also ranks second behind Eli Lilly of the U.S. in the manufacture of insulin and has benefitted here from its special monocomponent preparations, the most highly purified on the market.

The company is keen to keep its investments expanding in line with its sales growth. This year's spending is being boosted from DKr 74m to DKr 170m, a level that is likely to be maintained for the next couple of years according to Mr. Kare B. Dullum, executive vice-president in charge of finance.

At present, Denmark is the manufacturing centre for most of Novo's enzymes; these act as catalysts in biochemical processes and are used in the starch and detergent industries. Early next year, however, production is due to start at a new $11.5m plant in North Carolina, while the company also paid SwFr 13.5m ($8.5m) in May for the interests in this sector of Switzerland's Ciba-Geigy.

Control of Novo is in the hands of the Novo Foundation, which owns all of the "A" shares and enough of the "B" shares to give it over 70 per cent of the votes.

In terms of profits, the accelerated spending programme has made 1978 a year of relatively slow growth for Novo. Its DKr 105-115m profits forecast compares with last year's DKr 103m on sales of DKr 864m, which was an 84 per cent improvement on 1976.

Looking ahead, Mr. Dullum comments that "our sales have grown at an average of some 20 per cent a year, and we should like to see that maintained." Profits should also advance steadily, he adds.

The company says no more about the near future than the bald statement in its bond prospectus that "prospects for 1979 are judged to be good." But based on past sales progress and this year's forecast, turnover of DKr 1.14bn and a pre-tax profit upwards of DKr 130m would not seem out of line.

At the net level, Novo earned DKr 73m in 1977, which indicates a result near DKr 80m this year, rising to three figures in 1979. With its shares now hovering around DKr 235, Novo is below its best levels this year. But rising bond yields have left the whole Danish market slack, Mr. Dullum points out.

## FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Bondtrade, Kredietbank NV, Commerzbank AG, Deutsche Bank AG, Westdeutsche Landesbank Girozentrale, Banque Int. Luxembourg, Kredietbank Luxembourg, Algemene Bank Nederland NV, Pierson Heldring and Pierson, Credit Suisse/Swiss Credit Bank, Union Bank of Switzerland, Akroyd and Smithers Ltd., Bankers Trust Int. Ltd., BFDC, Citicorp Int. Bank Ltd., Daiwa Europe NV, Dillon Read Overseas Corporation, EBC Ltd., First Chicago Ltd., Goldman Sachs Int. Corporation, Hambros Bank Ltd., Kidder Peabody Int., Merrill Lynch, Morgan Stanley Int., Nesbitt Thomson Ltd., Salomon Bros. Int. Ltd., Samuel Montagu and Co., Scandinavian Bank Ltd., Strauss Turnbull and Co., Sumitomo Finance Int., S. G. Warburg and Co. Ltd., Wood Gundy Ltd.

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Aus Akt. 9½ 98 | 25 | 97½ | 97½ | +0 | −0½ | 9.60 |
| Australia 9 92 | 350 | 96½ | 96½ | +0½ | +0 | 9.39 |
| Australia 8.45 83 | 175 | 98 | 98½ | +0 | −0½ | 9.11 |
| Australia 9½ 98 | 75 | 99½ | 100½ | −0½ | +0 | 9.31 |
| Beatrice Foods 7¾ 83 | 100 | 95½ | 95½ | −0½ | −0½ | 9.18 |
| CECA 9¼ 87 | 50 | 96½ | 97½ | −0½ | −0½ | 9.32 |
| CECA 9 93 | 25 | 99 | 99½ | −0½ | +0½ | 9.18 |
| CECA 9½ 98 | 25 | 100 | 100½ | −0½ | −0½ | 9.22 |
| CNT 9 93 | 75 | 98½ | 98½ | −0½ | −0½ | 9.21 |
| Canada 9 83 | 250 | 96½ | 97½ | +0½ | +0½ | 9.86 |
| Canada 8.20 85 | 250 | 96½ | 96½ | +0½ | −0½ | 9.08 |
| Canada 8¾ 98 | 250 | 95½ | 96 | −0½ | −0½ | 9.30 |
| Canadair 8½ 83 | 70 | 96½ | 97½ | −0½ | −0½ | 9.40 |
| Dominion Bridg. Co. 9 86 | 25 | 95½ | 95½ | −0½ | −0½ | 9.92 |
| EIB 8¼ 85 | 100 | 97½ | 98½ | +0 | −0½ | 9.28 |
| EIB 8¾ 84 | 75 | 98½ | 99½ | −0½ | +0 | 9.26 |
| EIB 9½ 93 | 100 | 98½ | 98½ | −0½ | −0½ | 9.30 |
| EIB 9½ 98 | 125 | 98½ | 98½ | +0½ | +0½ | 9.69 |
| EIB 9½ 98 | 100 | 98½ | 99½ | −0½ | −0½ | 9.56 |
| Elsam Jutland 9 85 | 25 | 96½ | 97½ | +0 | −0½ | 9.65 |
| Eksportfinans 9 80 | 50 | 98½ | 98½ | +0 | −0½ | 9.33 |
| Export Developmnt. 8.6 83 | 125 | 98½ | 99½ | +0½ | +0½ | 9.08 |
| Finland 8¾ 83 | 100 | 98½ | 99 | +0 | −0½ | 9.51 |
| Finland 9 88 | 100 | 98 | 98½ | +0 | +0½ | 9.51 |
| Hospital O/S 9 83 | 25 | 97½ | 98½ | +0 | +1½ | 9.59 |
| I/C Industries 9 85 | 35 | 96½ | 97½ | +0 | −0½ | 9.65 |
| Itel Finance 9½ 88 | 25 | 97½ | 98½ | −0½ | −1 | 10.02 |
| Itel Finance 9¾ 90 | 25 | 97½ | 98½ | +0 | −0½ | 10.27 |
| Ito-Yokado 9½ 83 | 20 | 99½ | 100½ | +0½ | +0 | 9.33 |
| J. C. Penney 8½ 83 | 100 | 97½ | [illegible] | −0½ | −0½ | 9.05 |
| Mac Bloedel 9½ 93 | [illegible] | 97½ | 98½ | −0½ | −0½ | 9.51 |
| [illegible] | | | | | | |

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Asian Dev. Bk. 5½ 88 | 15 | 96½ | 97½ | +1½ | −1½ | 6.21 |
| Australia 5.6 90 | [illegible] | †100½ | 100½ | +0 | +0 | 6.64 |
| BFCE 5.4 90 | 30 | †96½ | 97½ | +0½ | +0 | 6.92 |
| Eurofima 6.3 90 | 10 | †96 | 97 | +0 | +0 | 6.85 |
| Finland 6.7 88 | [illegible] | †98 | 99 | +0 | +0 | 7.84 |
| Norway 5.7 83 | 25 | 103½ | 104 | +0 | +0½ | 4.85 |
| Oslo, City of 6.8 90 | 15 | 98½ | 98½ | +0½ | +0½ | 6.91 |
| SNCF 6.6 90 | 30 | 97½ | 98½ | +0½ | +0½ | 6.94 |
| Sweden 6.3 90 | 40 | 95½ | 96 | +0½ | +0½ | 6.97 |

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Algemene Bk. 6½ 83 Fl. | 75 | 94½ | 95½ | +0 | −0½ | 7.71 |
| BAT 8 88 LuxFr. | 250 | 95½ | 96½ | +0 | −0½ | 8.64 |
| Bayer Lux. 8 86 LuxFr. | 250 | 96½ | 97½ | +0½ | −0½ | 8.59 |
| Mees & Hope 7 83 Fl. | 75 | 95 | 95½ | +0 | −0½ | [illegible] |
| Brazil 7½ 83 Fl. | 75 | 94½ | 95½ | +0 | −0½ | [illegible] |
| CFE Mexico 7½ 83 Fl. | 75 | 95½ | 96½ | +1 | +0½ | 8.91 |
| Citicorp O/S Fin 10 93 £ | 20 | 88½ | 89½ | −1½ | −4½ | 11.73 |
| Copenhagen 7 93 EUA | 30 | 95½ | 96 | +0 | +0½ | 7.35 |
| EIB 7¾ 88 LuxFr. | 250 | 96 | 97½ | +0 | +0½ | 8.38 |
| EIB 7½ 85 Fl. | 75 | 93½ | 93½ | −1 | −1½ | 8.69 |
| EIB 9¾ 88 £ | 25 | 91 | 91½ | −1½ | −5½ | [illegible] |
| Oranjeboom 10½ 90 £ | 15 | 86 | 86½ | −2½ | −4½ | 12.63 |
| Finance for Ind. 10 89 £ | 12 | 87½ | 88 | −3 | −4½ | 12.28 |
| Finl'd. Ind. Fd. 8 88 LuxFr | 250 | 96½ | 97½ | +0 | −0½ | 8.43 |
| Finland Ind. Bk. 7 83 EUA | 15 | 95½ | 96½ | −0½ | −0½ | 7.43 |
| Gestetner Hld. BV 11 88 £ | 10 | 88½ | 89½ | −1½ | −4½ | 13.29 |
| Neder Middenb. 6½ 83 Fl. | 75 | 95½ | 96½ | +0½ | +0½ | 7.66 |
| New Zealand 6¾ 84 Fl. | 75 | 95½ | 96½ | −0½ | −0½ | 7.78 |
| Norway 7¾ 83 LuxFr. | 250 | 94½ | 97½ | +0½ | −0½ | 8.67 |
| [illegible] | | | | | | |

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.date | C.cpn | C.yld |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |
| Sanyo Electric 3½ DM | 11/78 | 295 | 95½ | 96½ | +0 | 15.61 |
| Seiyu Stores 3¾ 86 DM | 9/78 | 1275 | 118 | 118½ | +0½ | −2.18 |
| Stanley Electric 3½ DM | 11/78 | 625 | 104½ | 105½ | −0½ | 15.43 |
| Trio-Kenwood 3½ 86 DM | 11/78 | 711 | 98½ | 99½ | −0½ | 9.99 |

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.date=Date next coupon becomes effective. Spread=Margin above six-month offered rate for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



DOMESTIC BONDS

## Gloom in Dutch dealings

BY JEFFREY BROWN

DESPITE the steadiness shown at the close of last week, the Dutch bond market remains shrouded in uncertainty. The recent sharp rise in interest rates has significantly widened the yield differentials between Amsterdam and Frankfurt, but as long as the present currency turmoil persists—creating upward pressure on the DM—dealers in Holland are likely to remain dismayed.

Since the middle of September, yields on longer dated bonds have risen by more than a point, while the Dutch bank rate has moved up by a full two points to 6½ per cent in the space of two weeks.

The latest Dutch state loan, the fifth to be issued this year, was priced at 101 when it made its debut on September 12. It stands currently at 94.5 with a coupon of 7¾ per cent comparing with 8½ per cent for the most recent government backed borrowerer, the Dutch Development Bank.

The present weakness of the Dutch market can be traced back to the budget (on September 19) with its hints of a sharp jump in the government funding programme. Then came the run on the guilder which, for the Dutch, became progressively more painful once the Swiss Government had put "protective" currency measures into operation, thus accelerating the international rush into the DM.

The upshsot is that the guilder remains within the EEC snake only with the backing of massive central bank support, estimated to have cost close on Fl 1bn over the past four weeks. Even against sterling the guilder forward market has swung from a premium to a sizeable discount since October 1: on a three-month view of the Fl/DM rate the Dutch currency has clearly slithered out of the snake.

All this is making for a particularly sticky time in fixed interest markets. As the uncertainties mount, so it begins to look as though borrowers coming to the front of the Dutch new issue queue are rapidly pulling out.

Ironically, the most recent bond offering — Fl 400m over 10 years at 8½ per cent by the Dutch Development Bank — has been very solidly subscribed. This has occurred largely as a result of the way investors have been switching funds out of the ailing secondary market.

Meanwhile, the latest new issue across the border in Frankfurt has had a mixed reception. This is a DM 400m offering from the State of Hesse where the fine terms — 6¼ per cent over 10 years at 99½ — has left the placing banks sitting on perhaps as much as a quarter of the issue. The bond closed on Friday at a point discount to yield around 6.35 per cent.

# AUTHORISED UNIT TRUSTS

**Abbey Unit Tst. Mngrs. Ltd. (a)**
72-80, Gatehouse Rd., Aylesbury. 0296 5941

| | | | | |
|---|---|---|---|---|
| Abbey Capital | 35.1 | 37.3 | -0.6 | [illegible] |
| Abbey Income | 42.1 | 44.8 | -0.5 | 5.76 |
| Abbey Inv. Tst. Fd. | 37.9 | 40.3 | -0.3 | 4.17 |
| Abbey Gen. Tst. | 47.4 | 50.4 | -0.8 | 4.11 |
| Equitas Prog. Tst. | 69.6 | 73.4 | -0.7 | 3.88 |

**Allied Hambro Group♥ (a)(g)**
Hambro Hse., Hutton, Brentwood, Essex. 01-588 2851 or Brentwood (0277) 211459

| | | | | |
|---|---|---|---|---|
| **Balanced Funds** | | | | |
| Allied 1st | 68.9 | 73.7 | -1.0 | 5.49 |
| Brit. Inds. Fund | 66.7 | 71.4 | -0.9 | 5.28 |
| Grth. & Inc. | 39.6 | 42.4 | -0.4 | 4.95 |
| Elect. & Ind. Dev. | 36.0 | 38.5 | -0.5 | 4.59 |
| Allied Capital | 71.5 | 76.5 | -1.0 | 4.44 |
| Hambro Fund | 111.5 | 119.1 | -1.6 | 5.12 |
| Hambro Acc. Fd. | 125.9 | 134.8 | -2.0 | 4.78 |
| **Income Funds** | | | | |
| High Yield Fd. | 74.6 | 79.9 | -0.4 | 7.88 |
| High Income | 69.2 | 74.0 | -0.7 | 6.69 |
| A.H. Eq. Inc. | 41.2 | 44.1 | -0.3 | 6.80 |
| **International Funds** | | | | |
| International | 27.8 | 29.8 | -0.2 | 2.28 |
| Pacific Fund | 48.8 | 52.2 | -0.1 | 1.91 |
| Secs. Of America | 56.7 | 60.7 | -0.2 | 1.89 |
| U.S.A. Exempt | 98.5 | 103.7 | +0.2 | 1.44 |
| **Specialist Funds** | | | | |
| Smaller Co.'s Fd. | 41.3 | 44.2 | -0.1 | 4.18 |
| 2nd Smlr. Co.'s Fd. | 50.1 | 53.6 | -0.1 | 4.46 |
| Recovery Sits. | 101.9 | 109.1 | -0.7 | 4.72 |
| Met. Min. & Cdty. | 43.6 | 46.6 | -0.4 | 4.91 |
| Overseas Earnings | 60.5 | 64.8 | -0.9 | 4.47 |
| Expt. Smlr. Co.'s | 247.6 | 260.7 | -0.9 | 4.60 |

**Anderson Unit Trust Managers Ltd.**
158, Fenchurch St., EC3M 6AA. 623 9231

| | | | | |
|---|---|---|---|---|
| Anderson U.T. | 53.9 | 58.1 | | 4.80 |

**Ansbacher Unit Mgmt. Co. Ltd.**
1 Noble St., EC2V 7JA. 01-623 6376

| | | | | |
|---|---|---|---|---|
| Inc. Monthly Fund | 175 | 185 | | 9.20 |

**Arbuthnot Securities Ltd. (a)(c)**

**Framlington Unit Mgt. Ltd. (a)**
5-7 Ireland Yard, EC4B 5DH. 01-248 6971

| | | | | |
|---|---|---|---|---|
| American | 52.4 | 55.6 | | 1.24 |
| Capital Tst. | 139.2 | 148.0 | | 3.27 |
| Income Tst. | 116.2 | 123.6 | | 6.25 |
| Int. Growth Fd. | 126.0 | 134.0 | | 2.07 |
| Do. Accum. | 130.0 | 138.2 | | 2.07 |

**Friends' Provdt. Unit Tr. Mgrs.♥**
Pixham End, Dorking.

| | | | | |
|---|---|---|---|---|
| Friends Prov. Uts. | 46.3 | 49.5 | | 3.87 |
| Do. Accum. | 59.8 | 63.9 | | 3.87 |

**G.T. Unit Managers Ltd.♥**
16 Finsbury Circus EC2M 7DD. 01-628 8131

| | | | | |
|---|---|---|---|---|
| G.T. Cap. Inc. | 90.1 | 95.8 | -1.7 | 3.50 |
| Do. Acc. | 109.1 | 116.0 | -2.0 | 3.50 |
| G.T. Inc. Fd. Un. | 168.4 | 179.1 | -5.6 | 8.30 |
| G.T. U.S. & Gen. | 142.5 | 151.5 | -0.7 | 2.20 |
| G.T. Japan & Gen. | [illegible] | 97.2 | -1.0 | 0.80 |
| G.T. Pens. Ex. Fd. | 145.7 | 152.9 | | 3.60 |
| G.T. Intl. Fund | 163.6 | 174.0 | +2.1 | 1.60 |
| G.T. Four Yds. Fd. | 58.9 | 62.6 | | 7.00 |

**G. & A. Trust (a)(g)**
5, Rayleigh Rd., Brentwood. (0277) 227300

| | | | | |
|---|---|---|---|---|
| G. & A. | 34.5 | 36.8 | -0.6 | 4.51 |

**Gartmore Fund Managers ♥ (a)(g)**
2, St. Mary Axe, EC3A 8BP. 01-283 3531

| | | | | |
|---|---|---|---|---|
| (z)American Tst. | 29.5 | 31.7 | | 0.10 |
| British Tst. (Acc.) | 60.8 | 65.4 | | 3.28 |
| Commodity Share | 165.2 | 177.6 | | 3.42 |
| Extra Income Tst. | 26.0 | 28.0 | | 8.30 |
| (z)Far East Trust | 39.9 | 42.9 | | 0.50 |
| High Income Tst. | 62.3 | 67.0 | | 8.42 |
| Income Fund | 79.3 | 85.3 | | 6.68 |
| Ins. Agencies | 14.50 | 15.52 | | 3.32 |
| Intl. Exempt Fd. | 90.4 | 98.5 | | 5.24 |
| (z)Intl. Tst. (Acc.) | 34.8 | [illegible] | | 0.89 |

**Gibbs (Antony) Unit Tst. Mgs. Ltd.**
3 Frederick's Pl., Old Jewry, EC2. 01-588 4111

| | | | | |
|---|---|---|---|---|
| (a)A.G. Income* | 44.0 | 47.3 | | 8.1 |
| (a)A.G. Growth†† | 41.4 | 44.5 | | 4.70 |
| (a)A.G. Far East* | 26.1 | 28.1 | | 0.5 |

Dealing *Tues. ††Wed.

**Equity & Law Un. Tr. M.♥ (a)(b)(c)(z)**
Amersham Rd., High Wycombe. 0494 33377

| | | | | |
|---|---|---|---|---|
| Equity & Law | 68.9 | 72.5 | -1.1 | 4.35 |

**James Finlay Unit Trust Mngt. Ltd.**
10-14, West Nile Street, Glasgow. 041 204 1321

| | | | | |
|---|---|---|---|---|
| J. Finlay Internat'l. | [illegible] | 27.2 | | [illegible] |
| Accum. Units | 29.5 | 32.0 | | 2.51 |
| J. Finlay Income | 35.0 | 38.0 | | 8.28 |
| J. Finlay Euro. Fin. | 27.6 | 29.8 | | 2.17 |
| Accum. Units | 32.0 | 34.7 | | 2.17 |
| J. Finlay Fd. In. Tst. | 31.0 | 33.7 | | 4.00 |
| Accum. Units | 35.7 | 38.7 | | 4.00 |

Prices Oct. 11. Next dealing Oct. 18.

Courtwood House, Silver Street, Head. Sheffield, S1 3RD. Tel: 0742 79842

| | | | | |
|---|---|---|---|---|
| Commodity & Gen. | 72.6 | 78.2 | -0.5 | 4.99 |
| Do. Accum. | 83.7 | 90.1 | -0.7 | 4.99 |
| Growth | 37.4 | 40.2 | -0.3 | 2.84 |
| Do. Accum. | 40.2 | 43.2 | -0.3 | 2.84 |
| Capital | 28.3 | 30.4 | -0.2 | 3.13 |
| Do. Accum. | 30.9 | 33.2 | -0.2 | 3.13 |
| Income | 53.8 | 57.9 | -0.5 | 6.47 |
| Do. Accum. | 62.7 | 67.5 | -0.6 | 6.47 |
| International | 46.5 | 50.3 | -0.4 | 2.34 |
| Do. Accum. | 49.7 | 53.6 | -0.4 | 2.34 |
| High Yield | 64.1 | 69.0 | -0.6 | 8.18 |
| Do. Accum. | 70.0 | 75.3 | -0.7 | 8.18 |
| Equity Exempt* | 104.7 | 110.5 | | 5.63 |
| Do. Accum.* | 104.7 | 110.5 | | 5.63 |

*Prices at Sept. 29. Next dealing Oct. 31.

## CORAL INDEX: Close 495-500

## INSURANCE BASE RATES

†Property Growth .......... 10¼%
†Vanbrugh Guaranteed .......... 9.87%
†Address shown under Insurance and Property Bond Table.

# INSURANCE AND PROPERTY BONDS

# OFFSHORE AND OVERSEAS FUNDS

**Alexander Fund**
37, rue Notre Dame, Luxembourg.
Alexander Fund ... $US7.48
Net asset value October 11.

**Allen Harvey & Ross Inv. Mgt. (C.I.)**
1, Charing Cross, St. Helier, Jsy. C.I. 0534-73741
AHR Gilt Edg. Fd. ... £10.09 10.10 +0.04 11.97

**Arbuthnot Securities (C.I.) Limited**
P.O. Box 284, St. Helier, Jersey. 0534 72177
Cap. Tst. (Jersey) ... 117.0 121.0 ... 4.13
Next dealing date October 24.
Gov't Secs. Tst. ... 99 101 ... 12.00
Next dealing date October 16.
East & Intl. Tst. (C.I.) ... 115 122 ... 3.07
Next dealing date October 26.

**Keyselex Mngt., Jersey Ltd.**
P.O. Box 98, St. Helier, Jersey.
Keyselex Japan ... £14.66
Cent. Assets Cap. ... £137.05

**King & Shaxson Mgrs.**
1 Charing Cross, St. Helier, Jersey.
Valley Hse., St. Peter Port, Gnsy.
1 Thomas Street, Douglas, I.O.M.
Intl. Govt. Secs. Tst.

**Kleinwort Benson Limited**

NOTES

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This advertisement is issued by Morgan Grenfell & Co. Limited on behalf of NOVO Industri A/S ("NOVO" or "the Company") in connection with the Introduction to The Stock Exchange of D.Kr. 222,229,000 nominal amount of B Shares of NOVO and is issued in addition to the requirements of The Stock Exchange. It does not constitute an invitation to any person to subscribe for or purchase any securities of NOVO.

This advertisement has been approved and its issue authorized by the Board of Directors of NOVO.

Application has been made to the Council of The Stock Exchange for the B share capital of the Company to be admitted to the Official List. Dealings are expected to commence on 24th October, 1978.

**The information on the Company set out below comprises a summary of and extracts from the full particulars of the Company contained in the statistical cards circulated by Extel Statistical Services Limited and should be read in the light of such particulars. Copies of the statistical cards may be obtained during usual business hours on any weekday (Saturdays excepted) up to and including 30th October, 1978 from the brokers to the Introduction, Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN.**

# NOVO INDUSTRI A/S

(Incorporated as a company with limited liability in Denmark)

NOVO

### The Board of Directors

K. Holm-Nielsen, *Chairman*
C. B. Andersen
Alfred Blindbæk
K. Hallas-Møller
Bent Iversen
K. Hanerberg Olsen
Poul B. Poulsen
Hans Otto Pedersen
Robert Pedersen

### Corporate Management

K. Hallas-Møller, *President*
Kåre B. Dullum, *Corporate Finance*
Kim A. Hueg, *Enzymes Division*
Lars Josefsson, *Corporate Research*
H. Juncher, *Quality Control and Regulatory Affairs*
Jan Leschly, *Pharmaceuticals Division*
Mads Øvlisen, *Corporate Affairs*

### Registered Office of the Company

Novo Allé,
DK-2880 Bagsværd, Denmark.

### Bankers to the Introduction

Morgan Grenfell & Co. Limited,
23 Great Winchester Street,
London EC2P 2AX.

### Brokers to the Introduction

Cazenove & Co.,
12 Tokenhouse Yard,
London EC2R 7AN

### Consultant Accountants

Price Waterhouse & Co.,
Southwark Towers,
32 London Bridge Street,
London SE1 9SY.

### Auditors and Joint Reporting Accountants

Revisionsfirmaet Ankjær-Jensen,
Dronningens Tværgade 5,
DK-1302 Copenhagen.

Revisionsfirmaet C. Jespersen,
Frederiksborggade 15,
DK-1360 Copenhagen.

### Legal Advisers

Kristian Mogensen,
Amagertorv 24,
DK-1160 Copenhagen

Baker & McKenzie,
Crompton House,
Aldwych,
London WC2B 4JP.

## SUMMARISED FINANCIAL INFORMATION

The statistical cards contain an accountants report comprising statements of the net income and appropriations and of the source and application of funds of the Company and its subsidiaries ("the Group") for the five years ended 31st December, 1977 and the six months ended 30th June, 1978 together with a statement of net assets of the Company and of the Group at 30th June, 1978, notes thereon and a summary of the net assets of the Group at 31st December in each of the years 1973 to 1977. The following information relating to the Group has been extracted from the accountants report and should be read in conjunction with the detailed information appearing in the statistical cards.

### Net Income and Appropriations

| | Year ended 31st December 1973 D.Kr.'000 | 1974 D.Kr.'000 | 1975 D.Kr.'000 | 1976 D.Kr.'000 | 1977 D.Kr.'000 | 6 months ended 30th June, 1978 D.Kr.'000 |
|---|---|---|---|---|---|---|
| **Sales by company location** | | | | | | |
| Denmark | 249,171 | 308,804 | 331,969 | 428,743 | 477,927 | 245,624 |
| Overseas | 137,982 | 172,805 | 239,990 | 269,672 | 385,738 | 209,192 |
| | 387,153 | 481,609 | 571,959 | 698,415 | 863,665 | 454,816 |
| **Less: Cost of Sales,** including selling, general administrative and research and development expenses | 335,842 | 412,104 | 471,707 | 572,707 | 682,370 | 361,311 |
| **Trading income before depreciation and interest** | 51,311 | 69,505 | 100,252 | 125,708 | 181,295 | 93,505 |
| Depreciation and amortisation | 24,484 | 26,813 | 32,524 | 37,776 | 42,638 | 23,413 |
| **Trading income before interest** | 26,827 | 42,692 | 67,728 | 87,932 | 138,657 | 70,092 |
| Net interest payable | 17,879 | 23,762 | 30,758 | 32,153 | 36,079 | 16,808 |
| **Income before taxation** | 8,948 | 18,930 | 36,970 | 55,779 | 102,578 | 53,284 |
| Taxation | 2,666 | 3,804 | (805) | 11,624 | 29,516 | 18,407 |
| **Income before minority interests** | 6,282 | 15,126 | 37,775 | 44,155 | 73,062 | 34,877 |
| Minority interests | 38 | (77) | 59 | (92) | 175 | 169 |
| **Income before extraordinary items** | 6,244 | 15,203 | 37,716 | 44,247 | 72,887 | 34,708 |
| Extraordinary items (losses, net of taxation relief) | — | — | 3,150 | 5,237 | — | — |
| **Net income** | 6,244 | 15,203 | 34,566 | 39,010 | 72,887 | 34,708 |
| **Dealt with as follows:** | | | | | | |
| Legal reserves | 667 | 683 | 1,107 | 15,349 | 8,664 | 154 |
| Investment fund | — | — | — | — | 15,000 | — |
| Dividends | 5,625 | 7,425 | 10,159 | 12,893 | 15,493 | — |
| Unappropriated retained earnings | (48) | 7,095 | 23,300 | 10,768 | 33,738 | 34,554 |
| | 6,244 | 15,203 | 34,566 | 39,010 | 72,887 | 34,708 |
| **Adjusted earnings per B Share of D.Kr. 100 nominal based upon:** | D.Kr. | D.Kr. | D.Kr. | D.Kr. | D.Kr. | D.Kr. |
| Minimum participation of A Shares | 3·38 | 8·43 | 20·79 | 20·87 | 39·99 | 15·56 |
| Maximum participation of A Shares | 3·38 | 8·13 | 15·87 | 16·20 | 26·59 | 12·22 |

### Summary of Net Assets

| | 31st December 1973 D.Kr.'000 | 1974 D.Kr.'000 | 1975 D.Kr.'000 | 1976 D.Kr.'000 | 1977 D.Kr.'000 | 30th June 1978 D.Kr.'000 |
|---|---|---|---|---|---|---|
| **Long-term assets** | 408,256 | 443,246 | 501,071 | 531,695 | 557,488 | 635,662 |
| **Current assets** | | | | | | |
| Inventories | 90,698 | 134,526 | 155,841 | 191,849 | 241,610 | 302,119 |
| Marketable securities | 43,563 | 40,339 | 22,113 | 37,083 | 35,253 | 71,918 |
| Accounts receivable | 84,591 | 99,645 | 115,215 | 142,165 | 159,046 | 180,580 |
| Cash and bank balances | 18,441 | 6,368 | 54,128 | 11,694 | 23,948 | 16,495 |
| | 236,691 | 280,878 | 347,298 | 382,791 | 459,857 | 581,103 |
| *Deduct:* | | | | | | |
| **Current liabilities** | | | | | | |
| Accounts payable | 71,049 | 92,219 | 85,594 | 131,032 | 140,368 | 159,434 |
| Taxation | 738 | 1,909 | 1,903 | 2,318 | 15,705 | 26,722 |
| Bank loans and overdrafts | 89,109 | 121,747 | 131,114 | 88,812 | 85,449 | 171,777 |
| Proposed dividends | 5,625 | 7,425 | 10,159 | 12,893 | 15,490 | — |
| | 166,521 | 223,310 | 238,770 | 235,697 | 257,012 | 357,933 |
| **Net current assets** | 70,170 | 57,568 | 108,528 | 147,094 | 202,845 | 223,170 |
| | 478,426 | 500,816 | 609,599 | 678,789 | 770,325 | 858,822 |
| *Deduct:* | | | | | | |
| **Long-term loans** | (159,823) | (173,239) | (215,148) | (253,337) | (215,767) | (264,071) |
| **Deferred taxation** | 8,068 | 7,298 | 11,912 | 5,972 | (8,336) | (13,437) |
| **Minority interests** | (741) | (947) | (899) | (676) | (851) | (1,020) |
| **Net assets** | 326,150 | 333,928 | 405,463 | 430,745 | 545,371 | 580,294 |
| Representing | | | | | | |
| **Share capital** | 135,000 | 135,000 | 203,347 | 203,347 | 284,104 | 284,104 |
| **Reserves** | | | | | | |
| Legal reserves | 44,457 | 45,140 | 47,218 | 62,567 | 72,440 | 72,594 |
| Long-term assets revaluation reserve | 88,679 | 88,679 | 88,989 | 86,154 | 69,065 | 69,280 |
| Investment fund | — | — | — | — | 15,000 | 15,000 |
| Unappropriated retained earnings | 58,014 | 65,109 | 65,909 | 78,677 | 104,762 | 139,316 |
| **Shareholders' funds** | 326,150 | 333,928 | 405,463 | 430,745 | 545,371 | 580,294 |

## SHARE CAPITAL, RESERVES AND INDEBTEDNESS

**Share Capital and Reserves**

The share capital and reserves of the Group at 30th June, 1978 are set out below:

| | | D.Kr.'000 |
|---|---|---|
| **Share Capital** | | |
| A Shares | | 61,875 |
| B Shares | | 222,229 |
| | | 284,104 |
| **Reserves** | | |
| Unappropriated retained earnings | | 139,316 |
| Other reserves | | 156,874 |
| **Shareholders' funds** | | 580,294 |

The A Shares are not listed on any stock exchange and are all held by the NOVO Foundation which exercises voting control over the Company. The NOVO Foundation is a non-profit making institution whose main purpose is to aid scientific, humanitarian or social objectives. The Foundation is not involved in the management of NOVO.

The A Shares are entitled to 10 votes per D.Kr. 100 nominal amount of A Shares held and the B Shares are entitled to 1 vote per D.Kr. 100 nominal amount of B Shares held. The rights attaching to the A Shares and the B Shares (which are in bearer form) are summarized in the statistical cards. As regards dividends, the A Shares are entitled to receive out of the profits resolved to be distributed a dividend of one half of one per cent. of their nominal amount before payment of any dividend on the B Shares. The B Shares are then entitled to receive out of such profits a dividend of up to five per cent. of their nominal amount. Further dividends in respect of any financial year are determined by the Board of Directors and approved by the Company in General Meeting. Under the Articles of Association of the Company the total dividend paid on the A Shares expressed as a percentage of their nominal amount may not exceed the total dividend paid on the B Shares expressed as a percentage of their nominal amount.

On 12th October, 1978 the Company issued US $20,000,000 7 per cent. Convertible Bonds 1989 convertible on and after 15th April, 1979 and up to and including 30th December, 1988 into B Shares at a conversion price subject to adjustment in certain events of D.Kr. 259 per D.Kr. 100 nominal amount of B Shares (with a fixed rate of exchange applicable upon conversion of the Bonds of US $1=D.Kr. 5·3435).

**Indebtedness**

The indebtedness of the Group at 28th August, 1978 (before the issue of the Convertible Bonds) is set out below:

| | | D.Kr.'000 |
|---|---|---|
| **Long-term loans** | | |
| Secured loans | | |
| Mortgages | 158,415 | |
| Other loans | 17,521 | 175,936 |
| Unsecured loans | | |
| Bank loans | 137,479 | |
| Other loans | 2,629 | 140,108 |
| | | 316,044 |
| *Less:* Long-term loans repayable within one year | | 36,534 |
| **Total long-term loans** | | 279,510 |
| **Short-term borrowings** | | |
| Bank loans and overdrafts | | 136,016 |
| Long-term loans repayable within one year | | 36,534 |
| **Total short-term borrowings** | | 172,550 |

1. Short-term bank loans and overdrafts of D.Kr. 32·2 million are secured by charges on land and buildings. In addition, long-term loans of D.Kr. 29·3 million and short-term borrowings of D.Kr. 76·9 million are guaranteed by a bank in respect of which security has been given, to the extent of D.Kr. 17·7 million, by charges on land and buildings.
2. Loans denominated in currencies other than Danish Kroner have been translated at the appropriate exchange rates ruling at 28th August, 1978. The amounts so translated amount to D.Kr. 123 million of the long-term loans and D.Kr. 124 million of the short-term borrowings.
3. The Group had contingent liabilities at 28th August, 1978 of D.Kr. 3·2 million in respect of bills discounted.

## BRIEF DESCRIPTION OF NOVO

NOVO is the parent company of an international pharmaceutical and biochemical group of companies based in Denmark which specializes in the manufacture and sale of insulin and enzymes. In 1977 96 per cent. of sales were made outside Denmark. Pharmaceuticals and enzymes accounted for approximately equal proportions of sales.

NOVO is believed to be the largest manufacturer in the free world of industrial enzymes sold in the open market. Enzymes are proteins which act as catalysts in biochemical processes and have a variety of industrial uses, e.g. for converting starch into fructose. Almost all the Group's manufacturing of enzymes takes place in Denmark, but it also manufactures in Switzerland and in January, 1979 expects to start manufacturing enzymes at a new plant in North Carolina, USA.

NOVO is the second largest producer of insulin in the free world. Insulin preparations are used in the treatment of the disease diabetes mellitus. NOVO's insulin is manufactured in Denmark.

The Group employs some 2,900 people of whom approximately 2,400 are employed in Denmark. Some 575 people are employed in research and development, quality control and the provision of technological services.

### Financial Summary

| | 1973 | Year ended 31st December 1974 | 1975 | 1976 | 1977 |
|---|---|---|---|---|---|
| | | (D.Kr. million except per share data) | | | |
| Sales | 387 | 482 | 572 | 698 | 864 |
| Income before tax | 9 | 13 | 37 | 56 | 103 |
| Earnings | 6 | 15 | 38 | 44 | 73 |
| Total dividends | 6 | 7 | 10 | 13 | 15 |
| Shareholders' funds | 326 | 334 | 405 | 431 | 545 |
| Adjusted B Share prices: | | | | | |
| High | — | 99 | 190 | 232 | 257 |
| Low | — | 85 | 86 | 164 | 227 |
| Adjusted earnings per B Share | 3·38 | 8·13 | 15·87 | 16·20 | 26·59 |

**The above summary should be read in conjunction with the detailed information on the Company appearing in the statistical cards.**

On 5th September, 1978 the Board of Directors announced that total revenues for 1978 were expected to reach approximately D.Kr. 950 million and that it was expected that income before taxation in 1978 would amount to D.Kr. 105–115 million.

On 19th September, 1978 the Board of Directors announced its intention to recommend an increase in the rate of dividend on the B Shares from 8 per cent. for 1977 to 10 per cent. for 1978.

On 13th October, 1978 the closing bid price for B Shares on the Copenhagen Stock Exchange was D.Kr. 236 per D.Kr. 100 nominal amount of B Shares. At this price the total market value of the B Shares is D.Kr. 524.5 million, and the dividend yield before deduction of any withholding tax is 3.4 per cent. at the rate of dividend for 1977 and would be 4.2 per cent. at the intended rate for 1978.

## BUSINESS

**Introduction**

NOVO is organised into two product divisions, for pharmaceuticals and enzymes, and into divisions which cover corporate research; quality control and regulatory affairs; corporate finance; corporate affairs; and engineering and maintenance.

The following table analyses the Group's sales by product division for the five years and six months ended 30th June, 1978:—

| | Years ended 31st December (in D.Kr. million) 1973 | 1974 | 1975 | 1976 | 1977 | 6 months ended 30th June, 1978 |
|---|---|---|---|---|---|---|
| Pharmaceuticals | 218 | 256 | 298 | 325 | 401 | 232 |
| Enzymes | 163 | 217 | 261 | 359 | 445 | 228 |
| | 381 | 473 | 559 | 684 | 846 | 448 |
| Other revenue | 6 | 9 | 13 | 14 | 18 | 7 |
| Total | 387 | 482 | 572 | 698 | 864 | 455 |

The following table gives a geographical analysis of Group sales of pharmaceuticals and enzymes for the year ended 31st December, 1977:—

| | Sales (in D.Kr. million) Pharmaceuticals | Enzymes | Total | % |
|---|---|---|---|---|
| Denmark | 28 | 6 | 34 | 4 |
| North and South America | 37 | 188 | 225 | 27 |
| E.E.C. (excluding Denmark) | 136 | 133 | 269 | [illegible] |
| Rest of Europe | 127 | 88 | 215 | 25 |
| Asia and Australasia | 52 | 21 | 73 | 8 |
| Other | 21 | 9 | 30 | 3 |
| | 401 | 445 | 846 | 100 |

**Pharmaceutical Division**

NOVO's manufacture of pharmaceuticals is based mainly on the process of extraction, but the processes of fermentation and synthesis are also used. Its product range includes ethical pharmaceuticals for the treatment of diabetes mellitus and infectious and cardiovascular diseases. NOVO also manufactures diagnostic aids for clinical use and animal health products.

The most important products of this division are NOVO's range of insulin preparations and NOVO is the second largest producer of insulin in the free world. The raw materials used for the manufacture of insulin are bovine and porcine pancreas glands which are available from many countries and which NOVO obtains principally from Europe and the USA.

In recent years the emphasis of NOVO's insulin research has been on the development of purified insulin preparations. The result has been the introduction by NOVO of the Pro-Insulin Freed Insulins and, in 1973, of the MC (monocomponent)-insulin preparations, the most highly purified insulin preparations marketed today (as measured by proinsulin-like immunoreactivity). The use of insulin of this quality significantly reduces the likelihood of the immunological side-effects which complicate insulin therapy. Clinical trials have indicated that side-effects like allergic reactions may disappear and that insulin requirements may be reduced following transfer to MC-insulin.

NOVO is now marketing a range of insulin preparations of MC quality. These include Lente® MC, Semilente® MC, Monotard® MC, Ultra-lente® MC, Rapitard® MC and Actrapid® MC. In 1977 MC-insulin preparations accounted for 39 per cent. of the Group's insulin sales and Lente® insulins for the remainder. The proportion of MC-insulin sales is expected to increase substantially over the next few years.

Insulin and trypsin are manufactured from organic material by extraction and purification. Similar techniques have been applied by NOVO to the development of processes for the manufacture of other products. These include Lysofibrin® for the treatment of thrombosis and heparin for the prevention of blood clots and for the treatment of heart and circulatory disorders. NOVO also manufactures glucagon which is used in the treatment of insulin shock in diabetes therapy, in the treatment of certain acute heart diseases and as a diagnostic aid.

NOVO is also a substantial manufacturer and supplier of penicillin V and produces and sells other antibiotics for both human and veterinary use such as streptomycin, polymyxine and tetracycline. In addition, it is engaged in the manufacture and sale of preparations for the treatment of menopausal disorders (namely: Estrofem® and Trisekvens®) and, as a result of a recent acquisition, it is now also engaged in the development, production and marketing of instruments for use in nuclear medicine.

In recent years NOVO has followed a policy of replacing agents and distributors in its important markets by its own international marketing organisation.

In most of NOVO's major markets its pharmaceutical preparations are sold by prescription only, and NOVO's marketing activities are therefore directed at the medical profession. NOVO supplies pharmacists and hospitals either directly or through private or public wholesalers.

In most of NOVO's markets, public authorities regulate the introduction, marketing and pricing of pharmaceuticals.

**Enzyme Division**

Enzymes are proteins which act as catalysts in biochemical processes and have a variety of industrial uses. Enzymes may be produced by extraction from animal or vegetable tissue or by fermentation of micro-organisms. The Group manufactures its industrial enzymes almost exclusively by fermentation. Manufacture is based on raw materials of agricultural origin which are available from many countries.

NOVO is believed to be the largest manufacturer in the free world of industrial enzymes sold in the open market and accounts for some 40 to 50 per cent. of such sales. At the present time the largest users of enzymes are the detergent and starch industries. Sales to these industries represent about 75 per cent. of the Group's total enzyme sales.

In the detergent industry enzymes are used in the manufacture of detergents for the removal of protein and protein-based stains in laundry. There was a sharp decline in their use in the USA in late 1969 and early 1970 due to concern as to consumer safety with a consequent serious adverse affect on NOVO's sales and profits at that time. An investigation sponsored by the US Food and Drug Administration revealed in 1971 that this concern was largely unfounded. Since then NOVO's sales of detergent enzymes in the USA have shown some recovery.

In the starch industry enzymes, including NOVO's Sweetzyme®, are used to convert starch into high fructose corn syrup ("HFCS"). HFCS is used as an alternative to sugar in the industrial production of canned fruit, soft drinks, ice cream, bakery products and sweets. The most important and expanding markets are the USA (where HFCS is competitive despite currently low sugar prices) and in Asia. In Europe the process is currently uneconomic due to the levy imposed by the EEC on HFCS sales. NOVO believes itself to be the largest supplier of enzymes in the world for conversion of starch into HFCS.

The enzyme trypsin is used by the leather industry in the tanning process to make hides soft and pliable, while other enzymes are used *inter alia* in the textile industry to remove starch from yarn; in the drinks industry in the production of beer, alcohol, wine and juice; and in the dairy industry in the manufacture of cheese.

The majority of NOVO's enzyme products are sold to industrial customers in high technology fields. Accordingly, NOVO's marketing organisation and research laboratories work closely with customers to identify new enzymatic processes and to develop them to industrial scale. Approximately 40 per cent. of the turnover of the enzymes division derives from a small number of large companies but no single customer accounts for more that 15 per cent. of total Group enzyme sales.

**Research and Development**

Expenditure on research and development, quality control and technological services, exceeded 10 per cent. of total Group sales revenue in each of the last 8 years. In 1977 D.Kr. 92 million was spent on these activities and in 1978 over D.Kr. 100 million is expected to be spent. NOVO considers these expenditures necessary to maintain its position as a specialised manufacturer operating within its defined areas of biology and biochemistry. Expenditure covers, *inter alia*, basic research, the development of new products and the monitoring of drug efficacy and drug and enzyme safety. Almost all NOVO's basic research is conducted in 26,300 square metres of laboratory at Bagsværd near Copenhagen. In all, about 550 people are employed in laboratories in Denmark, representing almost 25 per cent. of NOVO's employees in Denmark. Approximately 175 of the laboratory employees have academic degrees. Both basic research and technical support is undertaken at a smaller laboratory opened in 1976 in Wilton, Connecticut, USA, which employs approximately 25 laboratory staff.

NOVO's research and development activities have resulted in a number of patentable inventions. The policy of the Group is to secure patent protection wherever practicable in all of its major markets. Although NOVO's rights under such patents are considered to be important, NOVO does not regard its business as being materially dependent upon any single patent or any group of related patents.

**Production Facilities**

In the years 1973 to 1977 inclusive NOVO has spent D.Kr. 317 million on new plant and equipment. Expenditure in 1977 was D.Kr. 74 million and in 1978 it is expected to be D.Kr. 170 million. The 1978 expenditure includes a new insulin filling plant in Denmark, an enzyme manufacturing plant in North Carolina, USA and the acquisition of an enzyme manufacturing plant in Switzerland.

Annual maintenance costs are considerable as manufacturing plants must be kept at high levels of efficiency and cleanliness to ensure the quality of product required for ethical pharmaceuticals and for industrial enzymes, some of which are destined for the food industry. In 1977 D.Kr. 40 million was spent on this activity and in 1978 D.Kr. 42 million is expected to be spent. NOVO's engineering and maintenance division designs the layout of NOVO's factories and production systems and supervises the construction of the new plants.

At present the Group operates three large production plants in Denmark and five smaller plants in Switzerland (2), Denmark, France and South Africa. The three large Danish plants are located at Kalundborg (967,000 square metres site area), Bagsværd (188,800 square metres site area) and Copenhagen (43,700 square metres site area) and produce pharmaceuticals and enzymes. The Swiss plants are located at Basle and Dittingen and manufacture enzymes; the Dittingen plant was acquired from Ciba-Geigy in 1978. The small Danish plant is located in Hadsund and manufactures electronic equipment for diagnostic uses. The plant in France finishes insulin preparations and the plant in South Africa finishes insulin and antibiotic preparations.

In addition to production facilities, NOVO has a major pilot plant at Bagsværd and smaller pilot plants in the USA, Switzerland and Copenhagen.

**Management and Employees**

The members of the Board of Directors ("the Board") and senior management ("Corporate Management") of the Company are shown above.

The Board consists at the present time of nine members; two are elected for a two year term by, and can only be removed by, the employees; the other members are elected by the Company in General Meeting for a term of three years. Retiring members may be re-elected. However, Directors must retire from the Board at the first ordinary General Meeting following the attainment of the age of 75.

The Board meets 10 to 12 times a year for the purpose of dealing with the principal issues of the Company's business as presented by Corporate Management and to establish and review general policies for the conduct of the Company's business. The Board also supervises the management of the Company's affairs.

Corporate Management is appointed by the Board and is responsible under Danish law for the day-to-day management of the Company in accordance with such instructions as the Board may issue. Transactions which are not within the usual activities of the Company or which are of particular importance to the Company's development are referred to the Board. Corporate Management is chaired by the President and additionally consists at present of the six members referred to above who are each Executive Vice-Presidents heading a division in the corporate structure.

The Group employs some 2,900 people of whom approximately 2,400 are employed in Denmark.

**Current Trading and Prospects**

The following is the text of the interim statement of NOVO which was issued on 5th September, 1978:—

"The Board of Directors of NOVO Industri A/S has reviewed developments during the first half of 1978 and the expectations for 1978 and 1979.

*Sales*

Total revenues in 1978 are expected to reach approximately D.Kr. 950 million, which compares with D.Kr. 864 million in 1977. This increase is broadly in line with the budget except that sales of enzymes to the starch industry in the US are now expected to be on a level similar to that achieved in 1977. In the US the use of isosyrup produced from starch by enzymes is increasing. However, in 1978 the rate of increase will be lower than previously expected due amongst other things to competition from sugar stockpiled at low prices in 1977.

*Capital expenditure*

During 1978 capital expenditure on production facilities, environmental protection and safety measures will amount to some D.Kr. 170 million compared with D.Kr. 74 million in 1977.

More than half of this amount is for a new enzyme plant in the US, a new insulin filling plant in Denmark, and the acquisition in the spring of 1978 of a surface fermentation plant in Switzerland. The two plants will start production early in 1979.

*Capacity costs*

In 1978 the costs of research and development and of control and technological services will exceed D.Kr. 100 million compared with D.Kr. 92 million in 1977.

The number of employees is expected to increase during the year by approximately 300. At year-end the total number of employees will have exceeded 2,900, some of whom will be employed in the new plants.

*Profitability*

1977 was an exceptionally good year for NOVO with income before taxation increasing from D.Kr. 55 million in 1976 to D.Kr. 103 million.

The benefits from most of 1978's heavy capital expenditure and from some of the increased capacity costs are not expected to become apparent until 1979 and in subsequent years. In spite of this increased activity level the Board expects that the level of income before taxation in 1978 will amount to D.Kr. 105–115 million.

The prospects for 1979 are judged to be good."

The accounting bases and assumptions on which the profit forecast for the year ending 31st December, 1978 is based are set out in the statistical cards.

**Dividends**

Although NOVO has over the past four years paid an unchanged dividend on its B share capital, bonus and rights issues have resulted in total dividend payments to B shareholders increasing from D.Kr. 7·2 million in respect of 1974 to D.Kr. 15·2 million in respect of 1977.

On 19th September, 1978 the Board of NOVO announced its intention to recommend an increase in the rate of dividend on the B Shares from 8 per cent. in respect of 1977 to 10 per cent. in respect of 1978.

**Other Information**

(i) The Company is involved as defendant in litigation concerning certain of its products but NOVO does not believe that this will materially affect the financial condition of the Group. Further details are given in the statistical cards.

(ii) The statistical cards contain a summary of the rights attaching to the A Shares and the B Shares of NOVO and of certain other provisions in the Articles of Association of NOVO.

(iii) Residents and non-residents of Denmark are subject to Danish withholding tax on dividends paid by Danish companies at the rate of 30 per cent., subject to reduction under any applicable tax treaties.

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## ART GALLERIES

CHANDE GALLERY, 6, Cork Street, W.1 01-734 4626. Recent Paintings and Sculptures by W. F. ZAG. 26 Sept.-21 Oct. Mon.-Fri. 10-5.30. Sats. 10-1.

SUSAN SWALE'S SALOME. Fieldborne Galleries, 63, Queen's Grove, N.W.8. 586 3600.

J.P.L. FINE ARTS, 24, Davies Street, W.1. 01-493 2630. RAOUL DUFY drawings, watercolours 1900-1939. Oct. 10-Dec. 8. Mon.-Fri. 10-6.

MARINE ARTISTS. Royal Society's Annual Exhb. at Guildhall, E.C.2. Mon.-Sat. 10-5. Until 1 pm Nov 3. Adm. free.

DRIAN GALLERIES, 7, Porchester Place, W.2. Recent Paintings by HALIMA NALECZ. 10-5. Sat. & Sun. 10-1.

## CLUBS

EVE, 189, Regent Street, 734 0557. A la Carte or All-in Menu. Three Spectacular Floor Shows 10.45, 12.45 and 1.45 and music of Johnny Hawkesworth & Friends.

GARGOYLE, 69, Dean Street, London, W.1. NEW STRIPTEASE FLOORSHOW "AS YOU LIKE IT" 11-3.30 am. Show at Midnight and 1 am. Mon.-Fri. Closed Saturdays. 01-437 6455.

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# COMPANY NOTICES

**FF 100,000,000**
**EUROPEAN INVESTMENT BANK**

7¼% Bonds of 1971 due 1981

Notice is hereby given to bondholders that the amount of FF 4,000,000 redeemable on December 10, 1978 was bought into the market.

Amount outstanding: FF 72,000,000

EUROPEAN INVESTMENT BANK
Luxembourg October 16, 1978

**ELECTRICITY SUPPLY COMMISSION**
**ESCOM 1971/86 8½% $US20,000,000**

Notice is hereby given to bondholders of the above loan that the amount redeemable on December 1st, 1978 i.e. $US1,500,000 was bought in the market.

Amount outstanding: $US12,500,000

The Trustee.
FINIMTRUST S.A.
Luxembourg.
October 16, 1978.

**3½% CONVERSION LOAN BONDS TO BEARER**

The Bank of England give notice that new COUPON sheets for the above-mentioned Loan will be available on or after 1st December, 1978, in exchange for TALONS. Listing forms for talons are available from the Chief Accountant's Office (Bank Buildings), Bank of England, 2 Bank Buildings, Princes Street, London EC2R 8EU, and talons should be presented there for exchange by Authorised Depositaries, on behalf of the holders, from the 24th November, 1978. Talons should not be sent through the post.

Authorised Depositaries are listed in the Bank of England's Notice EC1 and include most banks and stockbrokers and solicitors practising in the United Kingdom, the Channel Islands or the Isle of Man.

**NOTICE OF PURCHASE**

US$100,000,000 Barclays Overseas Investment Company B.V. 8½% Guaranteed Bonds 1992 guaranteed on a subordinated basis by Barclays Bank International Limited.

NOTICE IS HEREBY GIVEN to holders of Bonds of the above issue that US$5,000,000 nominal was purchased during the period ending 15 September, 1977.

Union Bank of Switzerland (Securities) Limited.

London
13th October, 1978

**METROPOLITAN ESTATE AND PROPERTY INTERNATIONAL N.V.**

20,000,000 European Composite Units ("EURCO")
8½ LOAN 1988

NOTICE IS HEREBY GIVEN that Metropolitan Estate and Property International N.V. has selected US Dollars as the currency of payment in respect of all Coupons No. 5 dated 16th November, 1978 provided no valid contrary selection is made by the holders thereof on or before 30th October, 1978, pursuant to the Terms and Conditions of the Bonds.

Principal Paying Agent:
N. M. Rothschild & Sons Limited,
New Court, St. Swithin's Lane,
London EC4P 4DU.
16th October, 1978.

**NOTICE TO HOLDERS OF "CHADE" SHARES**

Societe d'Electricite (SODEC) S.A., a limited company in liquidation, 103, Grand Rue, Luxembourg, Grand Duchy of Luxembourg advises:

"Since 1st December, 1948, and as was announced at the time shareholders of Compania Hispano-Americana de Electricidad (CHADE) have had the right to receive SODEC shares as follows:

1 certificate of 5 SODEC shares per CHADE share series A, B or C;
or per group of 5 CHADE shares: series D;
or per group of 5 CHADE shares series E;
and 1 certificate of 1 SODEC share per CHADE share series D or E.

The right of CHADE shareholders to receive one SODEC share for one CHADE share is a debt-claim right subject to the statute of limitations after a period of thirty years. It will thus be affected by the statute of limitations on 1st December, 1978. As from that date SODEC intends to raise a defence under the statute of limitations.

Holders of CHADE shares in order to avoid finding themselves barred by the statute of limitations and thus losing, in particular, benefit of the liquidation dividends and the liquidation distributions in respect of SODEC shares, to which they are entitled are thus invited to come forward before 1st December, 1978.

They are reminded that they can receive SODEC shares, as stated above, by contacting—through the intermediary of their bankers—the registered office of SODEC, 103, Grand Rue, Luxembourg, Grand Duchy of Luxembourg."

**DAIWA SEIKO, INC.**

This is to notify EDR holders that we have received Notice on Settlement of Accounts for the fiscal year 1978 (from August 1st 1977 to July 31, 1978) of the Company.

Copies of such Notice are available upon request at the offices of the undermentioned Depositary and the Agent—

Banque Internationale a Luxembourg S.A.
2 Boulevard Royal,
Luxembourg.

Robert Fleming and Co. Limited,
Depository,
8 Crosby Square,
London, EC3A 6AN.

London,
16th October, 1978.

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# LEGAL NOTICES

No. 003061 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of MANVINE (HOLDINGS) LIMITED and in the Matter of THE COMPANIES ACT, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 27th day of September 1978, presented to the said Court by THE WHOLESALE FITTINGS COMPANY LIMITED whose Registered Office is situate at 312-332 Rainham Road South, Dagenham, Essex, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 30th day of October 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

POLLARDS,
55-59 Oxford Street,
London W1R 1RD.
Solicitors for the Petitioner.

NOTE—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 27th day of October 1978.

No. 003179 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of MUNSTER STUDIOS LIMITED and in the Matter of THE COMPANIES ACT, 1948.

NOTICE IS HEREBY GIVEN that a Petition for the winding up of the above-named Company by the High Court of Justice was on the 9th day of October 1978, presented to the said Court by THE DEPARTMENT OF HEALTH AND SOCIAL SECURITY, State House, High Holborn, London WC1, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice Strand, London, WC2 on the 13th day of November 1978 and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

M. W. M. OSMOND,
State House,
High Holborn,
London, WC1.

NOTE—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to the above-named, notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their solicitor (if any), and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 10th day of November 1978.

No. 003139 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of MARSTORE LIMITED and in the Matter of THE COMPANIES ACT, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 3rd day of October 1978, presented to the said Court by READY MIXED CONCRETE (SOUTH EAST) LIMITED whose registered office is at RMC House, 53/55, High Street, Feltham, Middlesex, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL, on the 6th day of November 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

YOUNG JONES HAIR & CO.,
3 Suffolk Lane,
Cannon Street,
London EC4R 0AU
Solicitors for the Petitioner.

NOTE—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 3rd day of November 1978.

No. 003125 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of WEBSTER (BUILDERS) LIMITED and in the Matter of THE COMPANIES ACT, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 3rd day of October 1978, presented to the said Court by MOREFIELD TRANSPORT LIMITED whose registered office is at Bridge Cafe, Reading Road, Chineham, Basingstoke, Hampshire, Plant Hirers and Hauliers, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 6th day of November 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

STONES PORTER & CO.,
of 26/27, Farringdon Street,
London EC4A 4AW.
Ref: 49/BJR.
Agents for
Wallis Prance & Dalgety,
of 12, Cross Street, Basingstoke,
Hampshire.
Solicitors for the Petitioner.

NOTE—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 3rd day of November 1978.

No. 003137 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of GNOME MARKETING LIMITED and in the Matter of THE COMPANIES ACT, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 4th day of October 1978, presented to the said Court by ALBANY FOREMOST TRAVEL LIMITED whose registered office is at Lex House, 17, Great Cumberland Place, London, W.1, Travel Agents a Creditor of the above-named Company and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 6th day of November 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

FRANKS, CHARLESLY & CO.,
Hulton House,
161/166, Fleet Street,
London, EC4A 2DY.
Ref: PXM. Tel: 01-353 1588.
Solicitors for the Petitioner.

NOTE—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 3rd day of November 1978.

In the Matter of
THE COMPANIES ACT, 1948
and
In the Matter of
BEDFORD MOULDED CONCRETE LTD.
Registered Office: Hardwick Hill Works, Kempston Hardwick, Bedford

NOTICE IS HEREBY GIVEN pursuant to Section 293 of the Companies Act, 1948, that a Meeting of the Creditors of the above-named Company will be held at Winchester House, London Wall, London, EC2 on 25th October at 3.00 pm for the purpose mentioned in Section 294 et seq of the said Act.

Dated this 10th day of October 1978
By Order of the Board,
J. E. Walsh,
Director.

# PUBLIC NOTICES

**STRATHCLYDE REGIONAL COUNCIL**

VARIABLE RATE
REDEEMABLE STOCK 1982

For the six months from 14th October, 1978 to 14th April 1979, the interest rate on the above stock will be 11.6563% per annum.

BANK OF SCOTLAND
30 Bishopsgate.
London EC2P 2EH.

# Businessman's Diary

## UK TRADE FAIRS AND EXHIBITIONS

| Date | Title | Venue |
|---|---|---|
| Current | Improve Your Home Exbn. (closes Oct. 28) | Olympia |
| Current | *Junior Fashion Fair* International (closes Oct. 19) | Royal Horticultural Society's Halls, SW1 |
| Oct. 18—21 | International Communications | Cunard Int. Hotel, W.6 |
| Oct. 20—29 | SMMT Motor Show | National Ex. Centre, Birm'hm. |
| Oct. 24—25 | Electronic Instruments Exbn. | Post House Hotel, Southampton |
| Oct. 24—26 | Environmental Health Exhibition | Bournemouth |
| Oct. 24—27 | European Offshore Petroleum Conference and Exhibition | Earls Court |
| Oct. 24—27 | London Fashion Exhibition | Olympia |
| Oct. 24—28 | Business Equipment Trade Exhibition | Cunard Intnl. Hotel, W6 |
| Oct. 25—27 | Management Services and Equipment Exhibition | Exhibition Centre, Harrogate |
| Oct. 30—Nov. 3 | Midland Metal Sawing and Tube Working Machine Exhibition | Addison Exbn. Centre, Willenhall |
| Oct. 31—Nov. 2 | *Equipment and Machinery* Demonstration: Labels and Labelling | Clothing Technology Centre, NW4 |
| Nov. 5—8 | Furniture Preview Show | Olympia |
| Nov. 6—10 | *National Automated Production* Exhibition | Belle Vue, Manchester |
| Nov. 6—10 | Electrical Engineering Exhibition | Belle Vue, Manchester |
| Nov. 7—9 | Fluid Handling Exhibition | Harrogate |
| Nov. 13—18 | Public Works Congress and Exhibition | Natnl.Exbn.Cent., Birmingham |
| Nov. 13—18 | ENPOCON—Environmental Pollution Control Exhibition | National Exbn. Centre, Birmingham |

## OVERSEAS TRADE FAIRS AND EXHIBITIONS

| Date | Title | Venue |
|---|---|---|
| Current | USSR Scientific Research Equipment Exbn. (closes October 23) | Moscow |
| Current | International Wine Fair (closes October 22) | Verona |
| Oct. 19—22 | Solar Energy Exhibition and Conference | Verona |
| Oct. 21—25 | International Ladies' Ready-to-Wear Exhibition | Paris |
| Oct. 23—27 | International Timber Fair | Sarajevo |
| Oct. 26—29 | *World of Investment '78* | Los Angeles |
| Oct. 28—Nov. 12 | SNOW 78—Sports, Winter and Recreation Show | Basle |
| Oct. 29—Nov. 30 | INTERPEL—International exhibition of Leather and Travel Articles | Dietikon |
| Oct. 30—Nov. 3 | Electronics Trade Fair | Amsterdam |
| Nov. 3—8 | International Book Fair | Beograd |
| Nov. 7—11 | International Sheet Metal Working and Forming Exhibition | Essen |
| Nov. 8—17 | British Industrial Exhibition | Mexico City |
| Nov. 11—19 | International Hotel, Tourist Equipment, and wines, spirits and beverages exhibition | Geneva |
| Nov. 13—18 | *International Packaging Exhibition* | Paris |
| Nov. 13—18 | International Food Manufacturing and Processing Exhibition | Paris |
| Nov. 20—26 | 7th International Fisheries Fair | Oslo |
| Nov. 26—30 | Arabuild (BOTB participates) | Bahrain |

## BUSINESS AND MANAGEMENT CONFERENCES

| Date | Title | Venue |
|---|---|---|
| Oct. 17 | Institute of Marketing: How to Manage Salesmen for More Profitable Selling | Royal Garden Hotel, Kensington |
| Oct. 17 | AGB Conference Services: The Threat of Crime to Industry and Commerce. Sir Robert Mark | Café Royal, W1 |
| Oct. 17 | ASM: Legal Implications of Engineering Contracts | Café Royal, W1 |
| Oct. 17 | London Chamber of Commerce: What the U.S. Buyer expects | *69, Cannon St., EC4* |
| Oct. 17 | ESC: International Leasing | Carlton Tower Hotel, SW1 |
| Oct. 18 | Henley Centre for Forecasting: Planning Consumer Markets | Carlton Tower Hotel, SW1 |
| Oct. 18 | Industrial Marketing Research Assocn.: Forecasting *Demand for New Products* | Kensington Palace Hotel, W8 |
| Oct. 18 | SRI International: Computer Security | Hyatt Regency Caspian Htl., Chalus, Iran |
| Oct. 19 | Institute of Purchasing and Supply: Forest Products for the Furniture Industry | Royal Lancaster Hotel, W2 |
| Oct. 19—20 | ASM: Establishing Good Communication Systems Within the Company | St. Ermins Hotel, SW1 |
| Oct. 19—20 | Management Centre Europe: EEC Legislation on Bankruptcy and Insolvency Procedures | Brussels |
| Oct. 20 | Abacus Conferences: Intervention by the EEC Commission in Operations of Trading Companies | Kensington Palace Hotel, W.8 |
| Oct. 22—23 | FT Conference: Finance and Industrial Development in the *Gulf* | *Bahrain* |
| Oct. 24 | AGB Conference Services: Trade Union Recognition—the Options | Piccadilly Hotel, W1 |
| Oct. 24 | Institute of Purchasing and Supply: Rubber and Allied Materials—into the '80s | Grosvenor House, W1 |
| Oct. 24—25 | ASM: *Capital Project Evaluation* | Café Royal, W.1 |
| Oct. 26 | Institute of Purchasing and Supply: Developments in the Food and Drink Industry | Kensington Close Hotel, W.8 |
| Oct. 26—27 | British Council of Productivity Associations: Workshop on Unfair Dismissal | Waldorf Hotel, WC2 |
| Nov. 7 | *Institute of Marketing: Sales Letter Writing* | Royal Horseguards Hotel, SW1 |

# CONTRACTS AND TENDERS

**TENDERS REQUIRED FOR THE PURCHASE OF**

## CERAMIC TILES FACTORY

**AUSTRALIA**

TENDERS will be received by the Liquidator of Albaware Tiles & Pottery Pty. Limited (in liquidation) until 5th December 1978, for purchase of

**BUILDING AND PLANT** for manufacture of FLOOR AND WALL TILES.

**LOCATION:** Lithgow, 140km west of Sydney.

*Building occupies 2.23 ha, with similar land area for expansion. Situated centrally* to principal supply outlets of eastern Australia. Marketing and distribution system previously established. Productinn of tiles ceased after fourteen months production.

**CAPACITY:** Decorated glazed floor tiles, 20cm x 20cm, 360,000 square metres per annum.

*Decorated glazed wall tiles, 15cm x 15cm and 20cm x 10cm, 720,000 square metres* per annum.

Most of the plant designed and supplied by SACMI of ITALY.

For full production, including manufacture of bisque, some plant still to be supplied to complete installation, and some structural work incomplete. Unlimited supply *of suitable clay available 110km from factory.*

Full particulars will be provided to interested persons.

J. E. Walker, Official Liquidator.
109 Pitt Street, Sydney, Australia.
Telephone: (02) 2326566.

**CONTRACTS AND TENDERS**

**RATE: £13.00**
per single column centimetre

*For further details contact:*
**FRANCIS PHILLIPS**
**on 01-248 8000**
**Ext. 456**

## MERSEYSIDE COUNTY COUNCIL

## *Waste Disposal*

**The Council has decided to give consideration to the role the Private Sector could play in assisting with the Authority's statutory waste disposal function by:**

(a) the provision and operation of resource recovery facilities in conjunction with County waste disposal/treatment plant,

(b) the provision and operation of controlled landfill facilities.

Contractors interested in submitting preliminary proposals should apply for further details to the County Engineer, 4th floor, Steers House, Canning Place, Liverpool L1 8JW not later than Monday, 30th October, 1978.

R. J. Williams
*County Engineer*

## KAPIRI GLASS PRODUCTS

**ZAMBIA**

**TENDERS FOR EXPANSION PROJECT:**

Tenders are invited for supply and commissioning of *two bottle production* lines. The factory was built by Coutinho Caro and Company Limited of Hamburg, West Germany. With provision to add one extra production line per furnace.

For compatability with existing plant, similar equipment is required wherever possible.

**ELECTRICAL:**

1 x South Wales Electric 11KV switch type CX 4 H'D OP' D SP'G CL
1 x 1250 KVA/380V Transformer 3PH. 50HZ.
*Power factor correction unit, cabling to all equipment.* Original supplier—Balfour Kilpatric (International).

**COMPRESSOR:**

1 x Broom Wade VMLD 1500/60 compressor complete with control, to include pipe connection to existing main pipe. Original contract reference *no. XC/100516/8.*

**WORKING END/FOREHEARTH FEEDER:**

2 x adapting present working end for additional Forehearth Emhart type KW 16' x 7½'.
2 x Forehearth efractories steel support except Forehearth Channel.
2 x overhaul spares for Emhart 144D feeder.
2 x firing and automatic temperature control for feeder/forehearth.
2 x cat walk steel work.

**FORMING:**

2 x 6 section single gob I.S. machine type EF4" CD for blow and blow/press *and blow complete left hand and right hand delivery, mould cooling fan,* air receivers, piping and ducting 2 x complete Selsyn drive.
2 x Emhart type '178' curved trackware transfer, left hand and right hand.
2 x Sheppee Lehr loader, part no 402.
2 x Stein Atkinson Stordy Lehr same as serial no. 6208, 1.8m width, 22m long. Control equipment.

**INSPECTION (EMHART):**

2 x single liner type 213A, transfer plate type 222A complete right hand and left hand.
2 x inspection conveyor type 223.
2 x visual inspection station type 236.
2 x bore and leak inspector type 254.
2 x rotating table type 219A.

Tenders should be addressed to:—
THE GENERAL MANAGER
KAPIRI GLASS PRODUCTS
P.O. BOX 96
KAPIRI MPOSHI
ZAMBIA

The closing date is 32 November, 1978.

## LEMBAGA LETRIK NEGARA TANAH MELAYU
## NATIONAL ELECTRICITY BOARD OF THE STATES OF MALAYA
## BERSIA AND KENERING HYDRO-ELECTRIC PROJECT
## HYDRAULIC, MECHANICAL & ELECTRICAL EQUIPMENT

Tenders are invited from Manufacturers for the following:

**Contract No. 5734/12—PENSTOCK LINERS**

*This contract comprises the supply, delivery and erection of the following packages:*

**Package A: BERSIA**

1. Three (3) 18 feet diameter welded steel plate penstock liners, approximately 95 feet long, normal transient head of 156 feet.

**Package A: KENERING**

1. Three (3) 19 feet diameter welded steel plate penstock liners, approximately 112 feet long, normal transient head of 178.5 feet.

| | |
|---|---|
| Last date for Receipt of Application | 15 Nov. 1978 |
| Document Issue: | About 1 Jan. 1979 |
| Tender Due: | About 1 Apr. 1979 |

**Contract No. 5734/13—INTAKE AND SPILLWAY**

*EQUIPMENT*

This contract comprises the supply, delivery and supervision of erection of the following packages:

**Package A: BERSIA**

1. Three (3) fixed wheel hydraulic vertical lift head gates (approx. size 15 feet wide x 21 feet high) head 50 feet.
2. One (1) service gate and lifting beam.
3. Six (6) sets trashracks.
4. One (1) 50 tonne (approx.) capacity gantry crane (crane to handle head gates, service gate, trashracks and spillway stoplogs).
5. Three (3) spillway radial gates (approx. size 40 feet wide x 46 feet high) with hoists.
6. One (1) set stoplogs and lifting beam.
7. Embedded parts for all the above installation.

**Package A: KENERING**

1. Three (3) fixed wheel hydraulic head gates (approx. size 14 feet wide x 27 feet high) head 60 feet.
2. One (1) service gate and lifting beam.
3. Six (6) sets trashracks.
4. One (1) 50 tonne (approx.) capacity gantry crane (crane to handle head gates, service gate, trashracks and spillway stoplogs).
5. Six (6) spillway radial gates (approx. size 40 feet wide x 46 feet high) with hoists.
6. One (1) set stoplogs and lifting beam.
7. Embedded parts for all the above installation.

| | |
|---|---|
| Last Date for Receipt of Application | 15 Nov. 1978 |
| Document Issue: | About 1 Dec. 1978 |
| *Tender Due:* | *About 1 Apr. 1979* |

**Contract No. 5734/22—HIGH VOLTAGE SWITCHGEAR**

*This contract comprises the supply, delivery and erection of the following packages.*

**Package A: BERSIA**

1. Three (3) 300 kV 50 Hz. 2000 A. 7500 MVA. 1050 kV B.I.L., minimum oil, air blast or single pressure $SF_6$ type circuit breakers.
2. Eleven (11) motor operated 2000 A, 300 kV disconnect switches.
3. Five (5) manually operated earth switches.
4. One (1) set of copper or aluminium bus work.
5. One (1) set of steel structures *including line take-off* structures on the power station roof.

**Package A: KENERING**

1. Three (3) 300 kV 50 Hz. 2000 A. 7500 MVA, 1050 kV B.I.L., minimum oil, air blast or single pressure SF6 type *circuit breakers.*
2. Eleven (11) motor operated 2000 A, 300 kV disconnect switches.
3. Five (5) manually operated earth switches.
4. One (1) set of copper or aluminium bus work.
5. *One (1) set of steel structures* including line take-off structures on the power station roof.

| | |
|---|---|
| *Last Date for Receipt of Application* | 15 Dec. 1978 |
| Document Issue: | About 1 Feb. 1979 |
| Tender Due: | About 1 Jun. 1979 |

Tenders will be accepted for each Contract Package separately or both Packages as one Contract.

Tenderers shall be manufacturers or consortia of manufacturers of the items described and should have had previous experience in the design and manufacture of equipment having the characteristics described.

Full details of manufacturer's experience and their technical and financial competence must be forwarded with their application not later than the dates listed for the receipt of applications to:

Project Manager
Bersia and Kenering Hydro-Electric Project
*The Shawinigan Engineering Company Limited*
620 Dorchester Blvd. West.
Montreal, Quebec, Canada H3B 1N8

with copy to:

Project Engineer
Bersia and Kenering Hydro-Electric Project
Hydro Electric Division.
4th Floor, National Electricity Board
129 Jalan Bangsar
*P.O. Box 1003*
Kuala Lumpur, MALAYSIA

accompanied by a documentation fee of US$250, international bank draft or money order, payable to LEMBAGA LETRIK NEGARA TANAH MELAYU.

Tender Documents will be issued by:

The Shawinigan Engineering Company Limited, Montreal

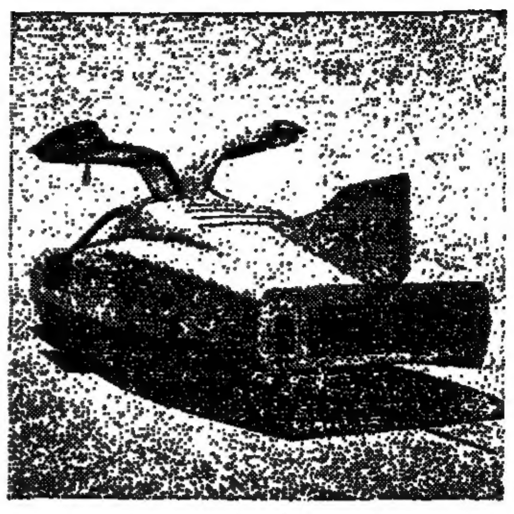
The document fee will be refunded only to applicants not issued the tender documents.

Tenders shall *be* delivered at the head office of LEMBAGA LETRIK NEGARA TANAH MELAYU, 129 Jalan Bangsar, *Kuala Lumpur, Malaysia. The exact date and place for* submission of tenders will be specified in the tender documents.

LEMBAGA LETRIK NEGARA is not bound to accept any application or to accept the lowest or any tender.

LEMBAGA LETRIK NEGARA is not liable for costs incurred by tenderers in preparing tenders.

# Continuity and Dynamism: A formula for progress

Investment and innovation are the basis on which Daimler-Benz formed its policy to meet future developments and changes in market conditions.

Against the general trend towards uniformity in motor car design, Mercedes-Benz models retained their individual character.

Equally unmistakable have been the results of corporate efforts—once again, 1977 was a year of "Mercedes Quality."

**Yet again, Daimler-Benz can look back on a successful year.**

Turnover worldwide rose by 10% to DM 25.9 billion. Net income earned by Daimler-Benz AG during the year increased to DM 445 million i.e. 13.5% up on the previous year. The Company's financial base was broadened substantially by an allocation of DM 217 million to the reserves.

At DM 228 million, the total of dividends paid is almost the same as in the previous year. Including shareholders in Mercedes-Automobil-Holding Aktiengesellschaft the Company shareholders currently number more than 100,000, of whom some 31,000 are on the Company's payroll.

**An "S-class" year.**

Production of passenger cars for the first time passed the 400,000 mark in 1977. Thus the increase in this sector was not only above average in the long term, but also when compared with the previous year. The business year 1977 was marked particularly by an exceptionally high level of capacity utilisation in passenger car plants.

The S-class with a growth of 16% (all Mercedes-Benz cars were up by 8.3%) was especially successful. High quality, progressive technology, and an individual style of equipment are increasingly in demand.

**Leading market position for commercial vehicles.**

In the face of increasingly severe competition, Daimler-Benz successfully maintained its strong market position, and the exceptionally wide range of goods vehicles offered proved an advantage. With 248,000 vans, lorries, buses and Unimog vehicles, output again reached the high level of the previous year.

The newly introduced "Bremen" range of vans and pick-ups—which are distinguished by modern technology, functional styling and considerable economy, have succeeded beyond expectation. As a result of the strong demand, production is being raised to more than 45,000 units during the present year.

**Social Commitment.**

Daimler-Benz employs 132,000 people in 11 German plants and its wholly-owned branch establishments. While the German motor industry as a whole regained the level of employment it enjoyed in 1973 only during 1977, the number of people employed by Daimler-Benz rose by 5,000, or 12%, during this period.

Expenditure on wages, salaries, social security contributions and provisions for old age totalled DM 5.9 billion.

Finally, it is worth noting that in 1977 Daimler-Benz took on some 2,200 young people for training in 34 technical and 9 commercial disciplines, 11% more than in the previous year. More than 6,000 apprentices are currently being employed by the Company.

**Investments to safeguard the future.**

During the period 1978/1982, the investment programme of Daimler-Benz AG provides for capital expenditure exceeding DM 7 billion, mainly in the passenger car field. This clearly demonstrates what importance is given to continued dynamic development: safeguarding technological progress, continuing new lines, expanding passenger car capacity, conducting intensive research.

Most important of all is the safeguarding of the Company's competitive position and with it the employment of its labour force. In this connection it is quality, which for Daimler-Benz has many sides, on which the greatest efforts of all are concentrated. Which is why so large a proportion of specialists and skilled workers are employed in all fields. Because quality begins with an idea—and that idea originates with a man.

**Technological progress demonstrated by the Diesel concept, the power unit of the future.**

Daimler-Benz was the first manufacturer to develop a passenger car diesel engine with an exhaust-driven turbo-charger. The new 5-cylinder unit with a power output of 115 HP has been in full scale production since the spring of 1978. Installed in the "S-class" body, the 300 SD is specifically designed to meet American legal requirements and sales are confined to the US market.

Using this new engine at a still further advanced stage of development the test vehicle C.111 III broke 9 world records previously held by petrol engined cars in April 1978. The average speeds exceeded 320 km per hour with a remarkably low consumption of less than 16 litres of diesel fuel per 100 km. Thus Daimler-Benz once more underlined its leading position in diesel technology and demonstrated the power potentially available from this power unit of the future.

**New features in model policy.**

Many novel and interesting features marked the new small coupé and the T-series introduced at the International Automobile Exhibition in Frankfurt. Designed for tourism and transport, this versatile T-series logically complements the Mercedes range. The first T-models produced at the Bremen plant are now going into service.

Jointly with Steyr-Daimler-Puch, Mercedes-Benz engineers have developed a cross-country vehicle which will go into production at beginning of 1979. Engines, axles and other units are being supplied by Daimler-Benz.

**High level of expenditure on research and development.**

In 1977, Daimler-Benz spent 4% of turnover on "R & D"—research and development.

The main aims—apart from further improvement in vehicle safety, both active and passive—included the reduction of fuel consumption and the prevention of environmental damage.

Among research projects, the "O-Bahn" or "guided bus" design attracted a great deal of attention when first made public. It is an integrated traffic system for public short-haul passenger transport, combining the advantages of railbound traffic with the flexibility of the bus.

Considerable progress was also made in methanol, and hydrogen research, and particularly in hydride storage. The hydrogen technology concept produces a form of energy safely stored and particularly free from environmental side-effects, which even today is beginning to find practical forms of application.

**Progressive trend in UK.**

An important milestone in Britain—where since January 1, 1974 the importation and marketing of Mercedes-Benz products has been the responsibility of a direct subsidiary—was the passing of the "10,000 units registered" mark. Further capital investment was also undertaken in the provision of well-equipped training facilities and improved staff amenities.

Total sales of passenger cars were increased by 10% to 8,249 units, and of commercial vehicles by 19% to 3,362, in Britain during 1977. The company thus participated to a greater than average degree in the resurgence of the British automobile market. Earnings were satisfactory as sales jumped 35% to the equivalent value of DM 413 million. Further progress was made in the consolidation of the sales organisation.

**The Outlook.**

Demand remains high across the whole passenger car range. The Company has also maintained its strong international market position in commercial vehicles.

Relying on its proven business principles and the extensive provisions it has made, Daimler-Benz once again looks forward to satisfactory results for 1978. This despite increased competition and the pressure resulting from wage disputes.

With the biggest order book in the Company's history, the technically advanced Mercedes-Benz range can rightly expect above average market opportunities in future. Other favourable trends are the continuing one towards trading up and increased value of sales of optional equipment, together with a degree of customer loyalty that is probably unique in the motor industry.

In future, just as it has done in the past, Daimler-Benz AG will look on the close link between investment policy and the long-term protection of jobs as a special part of its social responsibilities.

# 1977

## Daimler-Benz AG Balance Sheet at December 31, 1977 and 1976.

(Restated to conform with presentation used in English-speaking countries)

### Assets

| | Dec. 31, 1977 DM | Dec. 31, 1976 in Thousands of DM |
|---|---|---|
| **Current assets** | | |
| Cash | 857,799,726 | 760,413 |
| Marketable securities, at cost or market whichever is lower | 810,290,785 | 486,461 |
| Accounts and notes receivable (less allowances) | 1,153,605,842 | 1,119,558 |
| Accounts and notes receivable from affiliated companies | 666,719,218 | 806,523* |
| Inventories | 2,246,679,223 | 1,659,595 |
| Other current assets | 967,892,985 | 731,910 |
| Prepaid expenses and deferred charges | 1,570,066 | 2,435 |
| **Total current assets** | 6,704,557,845 | 5,566,895 |
| **Investments and miscellaneous assets** | | |
| Investments in non-consolidated subsidiaries, at cost less reduction in carrying value | 400,431,337 | 380,753 |
| Other investments, at cost or market whichever is lower | 88,960,956 | 92,556 |
| Long-term receivables due after four years | 1,104,863 | 1,009 |
| **Total investments and miscellaneous assets** | 490,497,156 | 474,318 |
| **Real estate, machinery and equipment** | | |
| At cost less accumulated depreciation | 1,906,210,029 | 1,786,959 |
| **Total assets** | 9,101,265,030 | 7,828,172 |

### Liabilities, Reserves, and Stockholders' Equity

| | Dec. 31, 1977 DM | Dec. 31, 1976 in Thousands of DM |
|---|---|---|
| **Current liabilities** | | |
| Accounts, drafts, loans, taxes, payable, and sundry accrued items* | 3,691,924,479 | 3,218,725 |
| Accounts payable to affiliated companies | 23,672,082 | 20,481 |
| **Total current liabilities** | 3,715,596,561 | 3,239,206 |
| **Long-term liabilities** (of which owing to Daimler-Benz Provident Fund GmbH, Stuttgart, DM 349.4 million in 1977 and DM 348.4 million in 1976) | 611,993,991 | 598,289 |
| **Reserves** | | |
| Reserve for pension liability | 932,821,650 | 627,732 |
| Other reserves | 857,671,080 | 788,245 |
| Reserve for investments in developing countries etc. | 85,772,436 | 74,910 |
| **Total reserves** | 1,876,265,166 | 1,490,887 |
| **Stockholders' equity** | | |
| Capital stock: Preferred stock | 1,921,500 | 1,921 |
| Common stock of DM 50 par value, 27,140,680 shares | 1,357,034,000 | 1,187,165 |
| | 1,358,955,500 | 1,189,086 |
| Net income retained for use in the business | 1,554,413,812 | 1,331,922 |
| | 2,913,369,312 | 2,521,008 |
| Less—Treasury stock for employee stock purchase plan, at lower of cost or average preferred price to employees (1977: 99,750 shares; 1976: 100,542 shares) | 15,960,000 | 21,218 |
| **Total stockholders' equity** | 2,897,409,312 | 2,499,790 |
| **Total liabilities, reserves, and stockholders' equity** | 9,101,265,030 | 7,828,172 |

* Inclusive of short-term reserves in the amount of 1.3 billion DM in 1977 and 1.2 billion DM in 1976.

## Daimler-Benz AG Statement of Income

(Restated to conform with presentation used in English-speaking countries)

| | Year 1977 DM | Year 1976 in Thousands of DM |
|---|---|---|
| **Net sales** | 20,412,965,864 | 18,766,455 |
| Dividends and other income from subsidiary and affiliated companies | 21,518,262 | 30,431 |
| Interest income less interest expense | 161,612,899 | 131,204 |
| Other income less sundry deductions | 98,338,845 | 106,200 |
| **Total** | 20,694,435,870 | 19,034,290 |
| **Less** | | |
| Cost of sales and other operating charges including selling, general and administrative expenses, exclusive of items listed below | 17,806,724,954 | 16,477,104 |
| Depreciation and obsolescence of real estate, machinery and equipment | 725,921,410 | 785,405 |
| Taxes on income, trade and property | 1,715,031,986 | 1,378,062 |
| **Total** | 20,247,678,350 | 18,640,571 |
| **Net income** for the year | 446,757,520 | 393,719 |
| Dividends on preferred stocks | 64,050 | 64 |
| **Amount earned on common** | 446,693,470 | 393,655 |
| Number of shares of common stock at DM 50 par value (exclusive of treasury stock) | 26,747,917* | 26,454,904* |
| Amount earned per share of common stock | DM 16.70 | DM 14.88 |

* Adjusted for increase in capital stock

Copies of the full annual report and audited accounts in English can be obtained from Daimler-Benz AG Dept. GBA, P.O. Box D7000, Stuttgart.

# FT SHARE INFORMATION SERVICE

## BRITISH FUNDS

| Interest Due | | Stock | Price £ | Last xd | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| "Shorts" (Lives up to Five Years) | | | | | | |
| 9M | 9S | Treasury 11½pc '79‡‡ | 100⅝ | [illegible] | 11.46 | 9.92 |
| 17M | 17S | Treasury 3pc '79‡‡ | 95¼ | [illegible] | 3.13 | 7.86 |
| 26M | 26S | Electric 4¼pc '74-79 | 96⅜ | [illegible] | 4.39 | 7.87 |
| 1M | 1N | Treasury 10½pc '79‡‡ | 100⅜xd | [illegible] | 10.48 | 10.33 |
| 15M | 15N | Electric 3½pc '76-79 | 95¾xd | [illegible] | 3.66 | 7.69 |
| 3M | 3S | Treasury 9pc 1980‡‡ | 97⅝ | 23.7 | 9.21 | 10.84 |
| 14M | 14N | Treasury 9½pc '80‡‡ | 97¾xd | 7.4 | 9.72 | 11.12 |
| 15J | 15O | Treasury 3½pc '77-80 | 93½ | 9.5 | 3.74 | 7.72 |
| 15J | 15D | Funding 5¼pc '78-80‡‡ | 94¾ | 9.5 | 5.54 | 8.69 |
| 25M | 25N | Exchequer 13pc 1980‡‡ | 101¾ | [illegible] | 12.78 | 11.97 |
| 15J | 15Ja | Treasury 11½pc 1981‡‡ | 99¼ | [illegible] | 11.59 | 11.82 |
| 15F | 15A | Treasury 3½pc 1979-81 | 89⅜ | [illegible] | 3.92 | 8.60 |
| 1A | 1O | Treasury 9¾pc 1981‡‡ | 95⅞ | 25.9 | 10.17 | 11.72 |
| 12J | 12D | Exch. 8¼pc 1981 | 92 | — | 8.97 | 11.60 |
| 4F | 4A | Exch. 9¾pc 1981 | 96 | [illegible] | 10.11 | 12.06 |
| 21F | 21A | Exch. 3pc 1981 | 86¼ | [illegible] | 3.38 | 8.53 |
| 17M | 17N | Treas. Variable '81‡‡ | 95¾xd | [illegible] | 10.32 | 11.65 |
| 23M | 23N | Exch. 12¾pc 1981‡‡ | 101¼ | [illegible] | 12.59 | 12.21 |
| 15J | 15Ja | Treas. 8½pc '80-82‡‡ | 91⅝ | [illegible] | 9.28 | 11.63 |
| 15F | 15A | Treasury 3pc '82‡‡ | 84¾ | [illegible] | 3.54 | 8.32 |
| 16M | 16S | Treasury 14pc '82‡‡ | 104⅞ | [illegible] | 13.35 | 12.21 |
| 15J | 15D | Treas. Variable '82‡‡ | 94 | [illegible] | 10.47 | 10.77 |
| 5J | 5Ju | Treasury 8¾pc '82 | 89½ | [illegible] | 9.51 | 11.80 |
| 22M | 22S | Exch. 9¾pc 1982 | 90⅝ | [illegible] | 10.17 | 12.21 |
| 5Ju | 5J | Exch. 8¾pc 1983 | 88¾ | — | 9.86 | 12.20 |
| 21F | 21A | Exch 3pc '83 | 81⅞ | [illegible] | 3.66 | 8.01 |
| 17M | 17S | Treasury 12pc 1983‡‡ | 99¾ | [illegible] | 12.03 | 12.07 |
| 18J | 18Ju | Treasury 9½pc '83 | 89¼ | [illegible] | 10.31 | 12.11 |

### Five to Fifteen Years

[illegible]

### Over Fifteen Years

[illegible]

### Undated

[illegible]

## INTERNATIONAL BANK

[illegible]

## CORPORATION LOANS

[illegible]

## COMMONWEALTH & AFRICAN LOANS

[illegible]

## LOANS

### Public Board and Ind.

[illegible]

### Financial

[illegible]

## FOREIGN BONDS & RAILS

| Interest Due | | Stock | Price £ | Last xd | Div % Gross | Red. Yield |
|---|---|---|---|---|---|---|
| — | | Antofagasta Rly. | 24 | 8/71 | — | — |
| 1J | 1J | Do 5pc Pref. | 41 | 30.5 | — | — |
| 1J | 1J | Chilean Mixed | 98 | 3.7 | — | £3.09 |
| 1J | 1D | German Yng. 4½pc. | 411 | 1.6 | 4½ | — |
| 1M | 1N | Greek 7pc Ass. | 52 | 2.5 | 3½ | £6.98 |
| 1F | 1A | Do 6pc 28 Stab. Ass. | 50 | 1.8 | 6 | £6.07 |
| 1A | 1O | Do 4pc Mixed Ass. | 42 | 3.7 | 4 | £9.83 |

## BONDS & RAILS—Cont.

| Interest Due | | Stock | Price £ | Last xd | Div % Gross | Red. Yield |
|---|---|---|---|---|---|---|
| May 1 | | Hung. '24 Ass. | 50 | 2.5 | 4½ | 5.63 |
| 30J | 31D | Iceland 6½pc '83-88 | 68 | 30.5 | — | 12.55 |
| 10J | 10J | Ireland 7½pc '81-83 | 82½ | 12.6 | 7½ | 13.09 |
| 1M | 1S | Do 9¾pc '91-96 | 78½ | 15.8 | — | 13.01 |
| 1J | 1D | Japan 4pc '10 Ass. | 390 | 1.6 | — | — |
| 30J | 31D | Do 6pc '83-88 | 70 | 30.6 | 6 | 11.25 |
| 1A | 1O | Peru Ass. 3pc | 150xd | 2.10 | 3 | 2.00 |
| 30J | 31D | S G I. 6½pc 1980 | 75p | 30.6 | 6½ | 8.67 |
| May 1 | | Turin 9pc 1991 | $94½ | 2.5 | 9 | 9.52 |
| 15A | 15O | Turin 6½pc 1984 | DM91 | 17.4 | 6½ | 9.10 |
| 1F.M.A.N. | | Uruguay 3½pc. | 97 | 2.5 | 3½ | 3.60 |

U.S. $ & DM prices exclude inv. $ premium

## AMERICANS

| Dividends Paid | Stock | £ | Last xd | Div. Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| Apr. Oct. | ASA | 20½ | 8.5 | 80c | — | 2.0 |
| September | AMF 5% Conv. '87 | 59 | 15.9 | 5% | — | 14.8 |
| MaJuSeDe. | Amax $1 | 34 | 4.8 | $2.20 | — | 3.3 |
| JaApJyO. | American Express. | 24¼xd | 3.10 | $1.60 | — | 3.3 |
| April | Amer. Medic. Int. | 19¼ | 25.9 | 60c | — | 1.57.3 |
| December | Asarco Inc. | 11⅝ | 3.5 | 40c | — | 1.8 |
| NoFeMaAu. | Baker Intnl. Corp. $1 | 23⅞ | 1.8 | 64c | — | 1.3 |
| Mr Ju. S. D. | Barnes Grp. $6⅔ | 18½ | 29.8 | 90c | — | 2.4 |
| D MrJu.SP. | Bendix Corp. $5 | 27¾ | 4.9 | $2.28 | — | 4.2 |

[illegible]

S.E. List Premium 27¼% (based on US$1.9805 per £)

## CANADIANS

[illegible]

S.E. List Premium 37¼% (based on $2.3457 per £)

## BANKS AND HIRE PURCHASE

| Dividends Paid | Stock | Price | Last xd | Div Net | C'vr | Gr's | P/E |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |
| June | Goode D't Mry 5p | 22 | 17.4 | 0.13 | — | 0.9 | — |
| Nov. April | Grindlays | 130 | 21.8 | 2.79 | 7.1 | 3.2 | 4.6 |
| April Oct. | Guinness Peat | 235 | 18.9 | 10.31 | — | 6.6 | — |
| Dec. July | Hambros | 190 | 24.7 | 9.76 | — | 7.7 | — |
| Dec. July | Hill Samuel | 93 | 26.6 | 4.97 | — | 8.0 | — |
| — | Do. Warrants | 287 | — | — | — | — | — |
| Sept. Mar. | Hong Shng $2.50. | 296 | 4.9 | hQ59c | — | 2.3 | — |
| June Nov. | Jessel Toynbee | 62 | 2.5 | h3.32 | — | 8.0 | — |
| Jan. June | Joseph (Leo) £1 | 185 | 10.7 | 8.74 | — | 7.0 | — |
| Feb. Aug. | Keyser Ullmann. | 49 | 30.5 | 0.67 | — | 2.0 | — |
| June Dec. | King & Shax 20p. | 62 | 15.5 | 3.44 | — | 8.3 | — |
| May Nov. | Kleinwort B.L. | 98xd | 2.10 | †4.18 | — | 6.4 | — |
| Aug. Apr. | Lloyds £1 | 257 | 24.7 | †9.23 | 4.8 | 5.4 | 5.8 |

## BANKS & HP—Continued

[illegible]

### Hire Purchase, etc.

[illegible]

## BEERS, WINES AND SPIRITS

[illegible]

## BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## CHEMICALS, PLASTICS—Cont.

[illegible]

## DRAPERY AND STORES

[illegible]

## ELECTRICAL AND RADIO

[illegible]

## ENGINEERING MACHINE TOOLS

[illegible]

## ENGINEERING—Continued

[illegible]

## FOOD, GROCERIES, ETC.

[illegible]

## FOOD, GROCERIES—Cont.

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]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[illegible]

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[illegible]

### Africa

[illegible]

## MINES

### CENTRAL RAND

[illegible]

### EASTERN RAND

[illegible]

### FAR WEST RAND

[illegible]

### O.F.S.

[illegible]

### FINANCE

[illegible]

### DIAMOND AND PLATINUM

[illegible]



## MINES—Continued

### CENTRAL AFRICAN

| Dividends Paid | Stock | Price | Last xd | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| Nov. May | Falcon Rh 50c | 168 | 18 9 | Q60c | ϕ | 21 7 |
| May | Rhod'n Corp. 16½p | 17 | 17 4 | 0 57 | 7.1 | 5.0 |
| — | Roan Cons. K4 | 75 | 12 74 | — | — | — |
| Nov. May | Wankie Col. Rh 1 | 35 | 17 4 | Q9c | ϕ | 16.5 |
| — | Zam. Cpr. SBD0.24 | 16 | 11 74 | — | — | — |

### AUSTRALIAN

| Dividends Paid | Stock | Price | Last xd | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| — | Acmex 25c | 10 | — | — | — | — |
| Nov. Apr. | Bougainville 30 Toea. | 131 | 14 3 | †Q8c | 1.4 | 3.8 |
| — | BH South 50c | 122 | 0 73 | — | — | — |
| — | Central Pacific | 500 | — | — | — | — |
| Oct. May | Conzinc Riotinto 50c | 306 | 14 3 | ‡Q10c | 2.2 | ‡ |
| — | Endeavour 20c | 23½ | — | — | — | — |
| — | G M Kalgoorlie $1 | 72 | 6 67 | — | — | — |
| — | Haoma Gold N.L. | 52 | — | — | — | — |
| September | Hampin Areas 5p | 127 | 10 7 | t3.55 | 2.0 | 4.2 |
| — | Metals Ex. 50c | 34 | — | — | — | — |
| Dec. Apr | M I M. Hldgs. 50c | 210xd | 2.10 | Q9c | 1.7 | 2.6 |
| — | Mount Lyell 25c | 34 | — | — | — | — |
| — | Newmetal 10c | 6¼ | — | — | — | — |
| June Nov | North B. Hill 50c | 119 | 15 5 | Q8c | 1.3 | 4 2 |
| — | Nth. Kalgurli | 15 | — | — | — | — |
| — | Nth. West Mining | 34 | — | — | — | — |
| June Nov. | Oakbridge $A1 | 139 | 7.4 | †Q11c | 1.9 | 5.0 |
| — | ††Otter N.L. | 28 | — | — | — | — |
| — | Pacific Copper | 58 | — | — | — | — |
| — | Pancont 125c | 975 | — | — | — | — |
| — | Parinca M&Ex 5p | 29 | — | — | — | — |
| Apr. Oct. | Peko-Wallsend 50c | 486 | 19 9 | Q15c | ϕ | 1 9 |
| — | Southern Pacific | 180 | — | — | — | — |
| Oct. May | Westn. Mining 50c | 143 | 4.9 | Q3c | 0.7 | ‡ |
| — | Whim Creek 20c | 65 | — | — | — | — |

### TINS

| Dividends Paid | Stock | Price | Last xd | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| Nov. Apr | Amal. Nigeria | 24 | 18 9 | 2 81 | 1.3 | 17.4 |
| Apr. Oct | Ayer Hitam $M1 | 330xd | 2 10 | Q300c | ϕ | 19.5 |
| Apr. Oct | Berali Tin | 51 | 8 8 | t4.0 | 4.4 | 12 3 |
| Jan. July | Berjuntai $M1 | 240 | 24 7 | Q110c | ϕ | 9.8 |
| Feb. Oct. | Geevor | 150 | 7 8 | 5.04 | 5.8 | 5.0 |
| — | Gold & Base 12½p | 10½ | 10 74 | — | — | — |
| June Dec. | Gopeng Cons. | 325 | 17 4 | 15.23 | 0.9 | 7.1 |
| — | Hongkong | 230 | 11 67 | — | — | — |
| May Nov. | Idris 10p | 90 | 24.7 | ‡12.0 | 1.6 | ‡ |
| — | Jantar 12½p | 8 | 4 67 | — | — | — |
| — | Kamunting $M0.50 | 74 | 4 9 | [illegible] | 2.1 | 3.6 |
| Jan. July | Killinghall | 630 | 10.7 | Q125 | ϕ | 19 8 |
| April | Malay Dredging $M1 | 435 | 11.3 | †Q95c | 0.8 | 4.7 |
| — | ♠Pahang | 60 | 9 75 | ‡Q3.75c | 0.5 | ‡ |
| Mar. Sept. | Pengkalen 10p | 74 | 12 6 | 6 60 | 1.3 | 13.3 |
| June. Jan | Petaling $M1 | 245 | 12.6 | †Q80c | 1.6 | 7 5 |
| Mar. Oct. | Saint Piran | 71 | 4 9 | 2.03 | 6.5 | 4 3 |
| February | South Crofty 10p | 64 | 10 7 | 4 19 | 2.0 | 9 8 |
| Jan. July | South Kinta $M0.50 | 220 | 4 9 | sQ145c | 0.6 | 14.2 |
| June Jan. | Sthn Malayan $M1 | 310 | 3 4 | ‡Q133c | 1 1 | 9 1 |
| — | Sungei Besi $M1 | 205 | 25.6 | Q65c | 5.3 | 6.8 |
| — | Supreme Corp. $M1 | 70 | 9 74 | ZQ10c | — | 3.1 |
| May Nov. | Tanjong 15p | 88 | 24 7 | 6 60 | 0 8 | 11.2 |
| Sept. Mar | Tongkah Hrbr. $M1 | 90 | 12 12 | [illegible] | 1 6 | ‡ |
| Apr. Oct. | Tronoh $M1 | 225xd | 2.10 | ‡Q88c | 1.6 | ‡ |

### COPPER

| Dividends Paid | Stock | Price | Last xd | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| June Dec. | Messina R0 50 | 76 | 12 12 | ‡Q30c | 1.9 | ‡ |

### MISCELLANEOUS

| Dividends Paid | Stock | Price | Last xd | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| — | Barymin | 58 | — | — | — | — |
| — | Burma Mines 17½p | 13 | 5 75 | — | — | — |
| Aug. Feb. | Cons. Murch. 10c | 245 | 3 1 | ‡Q30c | 2.6 | ‡ |
| November | Northgate C$1 | 405 | 30 9 | — | — | — |
| Jan. June | R.T.Z. | 258 | 2 5 | 9.5 | 2.8 | 5.6 |
| — | Sabina Inds. C$1 | 56 | — | — | — | — |
| — | Tara Explrn. $1 | 900 | — | — | — | — |
| Nov. July | Tehidy Minerals 10p | 77 | 2 5 | ϕ1.35 | ϕ | 2.6 |
| October | Yukon Cons. C$1 | 155 | 15.9 | Q7c | 2.9 | 2.2 |

## NOTES

**Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.**

- A Sterling denominated securities which include investment dollar premium.
- • "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ϕ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▼ Excluding a final dividend declaration.
- ♦ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend, cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 37

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## REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

| | | | | | |
|---|---|---|---|---|---|
| Albany Inv 20p | 26 | ...... | Shell. Refrshmt. | 63 | ...... |
| Ash Spinning | 49 | ...... | Sindall (Wm.) | 107 | ...... |
| Bertam | 17 | ...... | | | |
| Bdg'wtr Est. 50p | 330 | ...... | | | |
| Clover Croft | 26 | ...... | **IRISH** | | |
| Craig & Rose £1 | 520 | ...... | | | |
| Dyson (R. A.) A | 37 | ...... | Conv. 9% '80/82. | £90¼ | —½ |
| Ellis & McHdy. | 67 | ...... | Alliance Gas | 73 | ...... |
| Evered | 27 | ...... | Arnott | 360 | ...... |
| Fife Forge | 52 | ...... | Carroll (P.J.) | 99 | ...... |
| Finlay Pkg. 5p | 21 | ...... | Clondalkin | 80 | ...... |
| Graig Ship. £1 | 145 | —3 | Concrete Prods. | 130 | ...... |
| Higsons Brew. | 80 | ...... | Heiton (Hldgs.) | 49 | ...... |
| I.O.M. Stm. £1 | 172 | +5 | Ins. Corp. | 180 | ...... |
| Holt (Jos.) 25p | 258 | ...... | Irish Ropes | 105 | ...... |
| N'thn. Goldsmith | 67 | ...... | Jacob | 60 | —3 |
| Pearce (C. H.) | 190 | ...... | Sunbeam | 33 | +2 |
| Peel Mills | 21 | ...... | T.M.G. | 200xd | ...... |
| Sheffield Brick | 57 | ...... | Unidare | 85 | ...... |

## OPTIONS
## 3-month Call Rates

| | | | | | |
|---|---|---|---|---|---|
| **Industrials** | | I.C.I. | 20 | Tube Invest. | 30 |
| A. Brew | 6½ | "Imps" | 6 | Unilever | 35 |
| A.P. Cement | 18 | I.C.L. | 20 | Utd. Drapery | 7½ |
| B.S.R. | 9 | Inveresk | 6 | Vickers | 15 |
| Babcock | 11 | KCA | 3 | Woolworths | 5 |
| Barclays Bank | 25 | Ladbroke | 17 | | |
| Beecham | 35 | Legal & Gen. | 14 | **Property** | |
| Boots Drug | 15 | Lex Service | 7 | Brit. Land | 3¼ |
| Bowaters | 16 | Lloyds Bank | 22 | Cap. Counties | 4½ |
| B.A.T. | 24 | "Lofs" | 4 | E.P. | 5 |
| British Oxygen | 6 | London Brick | 5 | Intreuropean | 4 |
| Brown (J.) | 20 | Lonrho | 5 | Land Secs. | 16 |
| Burton 'A' | 12 | Lucas Inds. | 25 | MEPC | 12 |
| Cadburys | 5 | Lyons (J.) | 10 | Peachey | 8 |
| Courtaulds | 10 | "Mams" | 7 | Samuel Props. | 9 |
| Debenhams | 8 | Mrks. & Spncr | 10 | Town & City | 1¼ |
| Distillers | 15 | Midland Bank | 25 | | |
| Dunlop | 7 | N.E.I. | 12 | **Oils** | |
| Eagle Star | 11 | Nat. West. Bank | 22 | | |
| E.M.I. | 14 | Do. Warrants | 10 | Brit. Petroleum | 45 |
| Gen. Accident | 17 | P & O Dfd. | 8 | Burmah Oil | 5 |
| Gen. Electric | 18 | Plessey | 8 | Charterhall | 3 |
| Glaxo | 40 | R.H.M. | 5 | Shell | 28 |
| Grand Met. | 9 | Rank Org. 'A' | 18 | Ultramar | 20 |
| G.U.S. 'A' | 20 | Reed Intnl. | 12 | | |
| Guardian | 18 | Spillers | 3 | **Mines** | |
| G.K.N. | 22 | Tesco | 4 | Charter Cons. | 12 |
| Hawker Sidd. | 20 | Thorn | 22 | Cons. Gold | 14 |
| House of Fraser | 12 | Trust Houses | 15 | Rio T. Zinc | 16 |

FINANCIAL TIMES
Monday October 16 1978



# New way of calculating company tax

BY MICHAEL LAFFERTY

NEW RULES for the calculation of tax charges in company accounts are published today by the Accounting Standards Committee.

The profession's rule-making body has decreed that, in future, companies should provide only for the taxes they expect actually to have to pay.

Many companies have moved on to this basis already, following publication of the draft standard in May last year, but some have held on to the old deferred tax system. This was enshrined in an accounting standard issued in August 1975 which was withdrawn subsequently because of overwhelming opposition from industry and City institutions.

On the old basis companies had to provide for tax at the full statutory rate (currently 52 per cent) regardless of when the taxes became payable.

However, the introduction of 100 per cent tax allowances for investment in plant, and stock appreciation relief for stock increases, resulted in a situation in which tax liabilities were being set up in company accounts which might never become payable.

The new ruling takes account of this, so that a company's tax rate in any year will be determined by the tax allowances to which it is entitled and which are not likely to be clawed back later.

The new standard becomes binding for accounting periods beginning after January 1 next, after which companies refusing to comply could receive qualified audit reports.

The document, which was prepared by a working group headed by Mr. David Hobson, senior partner of chartered accountants Coopers and Lybrand, is supplemented by a background note giving some of the reasoning behind the change of heart.

According to the note: "The provision of tax in financial statements on the statutory rate of tax may be misleading in that it masks the real impact of tax on different types of companies."

The new standard, known as SSAP15, requires that provision should be based "on reasonable probability of payment." This cannot be a simple arithmetic exercise "but must take into account the particular circumstances of individual companies."

Among alternative treatments rejected by the Accounting Standards Committee is the "flow-through" approach—whereby tax changes would be based simply on the tax assessment for the year in question—and a proposal from the Midland group of finance directors that full deferred tax be provided in the profit and loss account and then written back in the balance sheet.

Yesterday, a committee official described this as illogical, and "wanting a profit-and-loss account for the unions and a balance sheet for the banks."

*"Accounting for Deferred Taxation" and the supplementary note TR 311 are obtainable from: Publications Dept., P.O. Box 433, Chartered Accountants' Hall, Moorgate Place, London, EC2P 2BJ. Price 50p.*

Details, Page 6

# UK electronics suppliers compete for Boeing deals

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

UK SUPPLIERS of aerospace electronics equipment and components are now bidding strongly against fierce U.S. competition for contracts worth several hundred million pounds on the new Boeing family of airliners, the twin engine, short to medium range 757 and 767.

Boeing officials in Seattle have said the company intended to buy all the equipment and systems components for its new jets wherever it could, regardless of the nationality of the manufacturers.

The design, development and initial production costs of the two new types of jet will amount to over \$2bn of which about one-third will be spent on the electronics and other equipment items, apart from the engines which, for the 757, will be Rolls Royce RB-211-535s.

The UK companies involved in the bidding include Smiths Industries on the autothrottle, Marconi-Elliott on the autopilot, Boulton Plessey Avionics, Boulton Paul and the Dowty Group. In all, Boeing said it was having discussions with about 35 UK companies.

Because many of the components will be common to the 757 and 767, the succesful companies could find themselves supplying both types.

The business will be huge as Boeing envisages production runs of up to 1,200 aircraft for the 757 and even more than that for the 767 by the early 1990s. It is telling potential suppliers that initial contracts will cover at least several hundred aircraft.

But the competition is fierce from American-based companies which also want a share of what is increasingly recognised as the world's biggest new jet airliner programme for the rest of this century. The conditions being set by Boeing are understood to be tough, with no latitude being allowed to any company that fails to meet delivery dates, performance specifications or prices. "We are running a very tight ship indeed," Boeing said. "Our customers, the world's airlines, are pushing us hard on prices and delivery dates and we are going to do the same to our suppliers."

## Offer dead

While Boeing makes it clear that it is interested in having UK equipment engines aboard its new aeroplanes, it also says that its origrial offer to British Aerospace, the nationalised aerospace manufacturer, of risk-sharing colloboration on the 757 programme, is now dead.

That offer, made earlier this year, including up to 40 per cent of the 757, including wings, landing gear, rear fuselage and part of the tail. It was made by Boeing to try to encourage British Aerospace to join the U.S. company rather than rejoin Airbus Industrie in Europe to help build the new A-310, the rival to the Boeing jets.

British Aerospace declined the offer, and, with UK Government approval, opted in favour of a European approach. But while the company is having considerable difficulty in fulfilling its ambition of getting into Europe because of continued French objections, Boeing has turned elsewhere and is now rapidly meeting its own requirements for risk-bearing partners by reaching agreements with U.S. companies. Negotiations over the 757 are in progress with North American Rockwell, Grumman, LTV, General Dynamics and others.

As far as the bigger 767 is concerned, Boeing has already arranged for a 15 per cent collaborative share with Aeritalia of Italiy, and for the same amount with companies in Japan.

Boeing says that its design work on the new jets is well advanced, and metal cutting will start next year, with the first flights set for 1981.

The company is recruiting workers of all types—it has hired over 10,000 this year, lifting its Seattle payroll to over 40,000. Part of this is due to the demands of the new airliner programmes, but it is also due to the steadily rising demand for Boeing's existing aeroplanes, the 727, 737 and 747, which are now being built at a collective rate of 24 aircraft a month, rising to a planned 28 aircraft a month by the end of next year.

# Computer row may hold back £700m in taxes

BY DAVID FREUD

ABOUT £700m in taxes due to be collected this week may not reach the Government if a special conference of the Inland Revenue Staff Federation today decides to step up action over a computer manning dispute.

The conference has been called to decide the federation's response to Revenue plans entailing the loss of computer work members to the rival Society of Civil and Public Servants.

Extreme action could affect the operation of the computer centre in Cumbernauld, Scotland, which opened in spring and now handles the collection of pay-as-you-earn tax remittances in the north.

This month's taxes are due on or about Thursday and it is estimated that Cumbernauld collects about £700m a month.

Failure to process the tax cheques would tend to increase the liquidity of the banking system and raise the Government's short-term funding requirement.

The Bank of England would be likely to cope with this either by increasing its sales of Treasury bills to the discount market, or by calling in special deposits from the banks.

The dispute over computer manning has been rumbling since July, 1977, and earlier this year the federation introduced a policy of non-co-operation in shifting manual work over to computers.

The federation executive is understood to feel that it has gained some concessions from the Revenue and wants backing from the membership to continue negotiating.

However, at a time when plans are going ahead for further computerisation of Revenue work—meaning the loss of thousands of routine clerical jobs—feelings within the federation membership are running high over the prospect of losing jobs to a rival union.

So it is impossible to predict how the 150 branch delegates will react to the executive's proposals at today's conference.

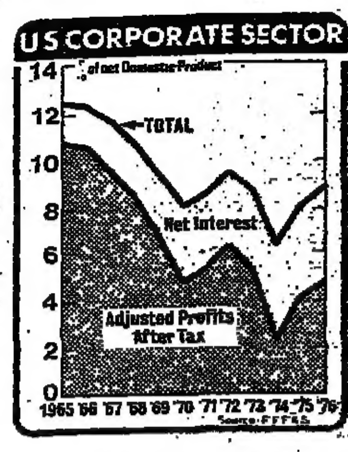
The dispute has arisen because the Revenue wants to shift individuals involved exclusively in computer work—about 200 at present—away from the specialised department grades to general civil service grades. This would require changing to a union that covers the whole civil service.

THE LEX COLUMN

# Modigliani's balloon

Professor Franco Modigliani is a brave man. Last week the doyen of the American school of stock market theorists told 300 analysts at the Brussels congress of the European analysts federation that they were wrong. Still more daringly, or perhaps foolishly, he charged the U.S. stock market with seriously underestimating the value of equities. He claimed, in fact, that U.S. common stocks are valued at not much more than half what they should be.

The argument centres around the way in which company profits have been affected by inflation. Since about 1965, when in the U.S. and around the world inflation began to be a serious problem, there has been an apparent squeeze on real profits—these being defined as nominal historical cost profits less adjustments for inventory appreciation and replacement cost depreciation. Meanwhile interest rates have risen sharply, and have taken a substantially larger share of overall corporate returns.




The right way to value equities, argues Professor Modigliani, is to discount future real earnings at the appropriate real rate of return—being the real return on bonds plus an appropriate risk premium. Much the same result would be obtained by discounting nominal earnings at the appropriate nominal rate of return (the real rate plus the rate of inflation). But the stock market is charged with capitalising the wrong profits measure using the wrong rate of return.

The profits are wrong because analysts are excessively conservative in estimating cost of sales and depreciation adjustments without adding back the capital gains on debt which in real terms is being eroded by inflation. This argument is familiar enough to UK investors (though Professor Modigliani did not appear to have studied any British work on the subject). The rate of return is wrong because investors are discounting real profits at the nominal rather than the real rate.

Modigliani claims to have assembled convincing statistical support for these assertions. Data analysed according to these assumptions fits well with actual stock market behaviour during the past few years. It was some four or five years ago, when U.S. inflation began to accelerate seriously, that he became aware of the underestimation of profits, but he assumed that the market would adjust its capitalisation rate. Now he is preparing to publish a paper in the U.S.—but decided to air his ideas first. "It is to some extent a trial balloon," he confessed after his lecture last week.

According to this theory the much discussed fall in the share of profits in national income throughout the Western world during the past decade is largely an accounting myth. Real profits in the U.S. rose in the mid 1960s and fell in the early 1970s but have since recovered and are showing no obvious long-term trend. The combined share of nominal profits and interest in national income—making up the total return to capital—has changed little, though the division between the two has been affected by inflation.

## Risk premium

What Professor Modigliani claims, put another way, is that the risk premium varies in practice exactly in line with inflation: each percentage point rise in inflation leads to a one-point rise in the required real rate of return. This happens only because investors have got their sums wrong. There are, of course, reasons why investors might be expected to behave nervously during a period of inflation. There may be a fear of tighter money policies which will tend to push up real interest rates and depress share prices. Inflation itself increases the risks borne by investors (and by borrowers). Can these factors explain the collapse in real share prices? Not according to Modigliani. "It would need an amazing coincidence that pessimism should do exactly what inflation does to the risk premium," he says.

But his conclusion that the stock market has miscalcu[illegible] goes right against the grain [illegible] modern theory of efficient [illegible] kets states that investors [illegible] account of all available [illegible] tion in arriving at com[illegible] determined prices; the [illegible] is always right. Yet M[illegible] now says that an investo[illegible] buys stock will achieve a [illegible] rate of return than he thin[illegible].

Plainly, the statistical ba[illegible] for his arguments will [illegible] be highly convincing. And [illegible] UK stock market does not [illegible] fit in with such a theory. [illegible] —unlike in the U.S.—[illegible] real company profits adju[illegible] for monetary gains are wi[illegible] disseminated, and it is hard [illegible] believe that it is being igno[illegible]. Even Sir Francis Sandi[illegible] now believes in monetary [illegible]. And share prices in real te[illegible] have not shown an accom[illegible] the past year although infla[illegible] has fallen and real profits [illegible] tended to rise. There could [illegible] is true, be a cyclical explana[illegible] for this.

Professor Modigliani [illegible] needs to explain where [illegible] unanticipated gains of [illegible] investors are to come from. [illegible] corporate sector as a whole [illegible] only accrue gains from [illegible] domestic sectors — [illegible] obviously from bondhol[illegible] and bank depositors in the [illegible] sonal sector—and [illegible] foreigners. This must [illegible] mean that bondholders have [illegible] it all wrong too, or ([illegible] plausibly) that U.S. compa[illegible] are profiting from the depre[illegible] tion of overseas dollar lia[illegible] ties. Meanwhile, it is [illegible] that price controls — [illegible] though voluntary — threaten [illegible] squeeze U.S. corporate profi[illegible] a way that will certainly [illegible] the figment of any [illegible] imagination.

## Deferred tax

The deferred tax accounting standard has emerged at last. [illegible] has a number of welcom[illegible] features—notably guidance [illegible] the definition of the forseeab[illegible] future (which is set at [illegible] years), a requirement that th[illegible] full deferred tax liability shou[illegible] be disclosed in the notes [illegible] analysed, while there is [illegible] option between ED19 and [illegible] deferred tax accounting. As [illegible] the stories a few months [illegible] that the standard was going [illegible] be more flexible it looks [illegible] though some kites were bei[illegible] flown. Now, for a change, [illegible] ASC is able to come out [illegible] ing as though it has [illegible] its resolve.

# British food manufacturers want EEC grain price freeze

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

STRONG CRITICISM of the European Commission's policy on grain prices has been made in a private memorandum to Viscount Davignon, EEC Commissioner for Industry, by Britain's food and drink manufacturers.

They call for a virtual freeze on grain prices for five years to bring them more into line with world grain prices. If such a policy were adopted by the European Commission, its effect would be to stabilise bread prices in the shops.

These criticisms of EEC policy were by the Food and Drink Industries Council, which represents British manufacturers, and are currently being discussed by Commission officials in Brussels.

The council's unpublished memorandum says that the food and drink processors who directly consume some three-quarters of all agricultural products "pay unnecessarily high prices for their raw materials."

This "penalises consumers and causes surpluses which are very costly to dispose of on the world market, or to store."

The memorandum blames the Commission for allowing its total cereals pricing policies to be influenced by the problem of small farmers who effectively receive special protection under the Common Agricultural Policy.

"It cannot be healthy for the agricultural producer to fail to be orientated primarily towards his market."

## Too big a gap

It states that "there is no doubt that there is far too big a gap between the world prices for grain and those in the EEC." The higher EEC prices have created a position in which large and growing surpluses of EEC-produced cereals are likely to embarrass the community in the future.

The council proposes several policy changes to remedy this position. In particular it is concerned that wheat prices should be reduced to a level of only about 15-20 per cent above world prices.

It says that the EEC levy for wheat is as high as the price on the world market, and "it is impossible to justify such a difference." It would therefore "support a policy of nil or marginal increases over the next five years which would allow inflation to erode the real price level."

The memorandum proposes that access to the Community for hard high protein wheat from North America be made easier.

These wheats cannot be grown in the Community, and complement rather than compete with indigenous EEC wheats, it says.

"Consequently by reducing the levy on hard wheats consumers can be offered the opportunity of reduced costs without harming the interests of the EEC producer."

The Council's memorandum to Viscount Davignon has been tabled for discussion at the Commission des Industries Agricoles et Alimentaires, which represents European food and drink industries in Brussels.

# Money supply figures likely to show growth

BY DAVID FREUD

MONEY SUPPLY started to expand again in September after the sharp drop of the previous month, figures due on Thursday are expected to confirm.

The expansion is suggested by the banking figures released last week, which showed an increase in the eligible liabilities of the banking system, the main deposit funds, which are an important constituent of the sterling money stock on the wider definition (M3).

Although the increase in eligible liabilities was modest, there are signs that the growth in M3 will be rather greater, bringing it closer to the official target range of 8-12 per cent.

After a fall of 1 per cent in banking August, sterling M3 had increased during the first four months of the financial year at an annual rate of only just over 3.5 per cent — well below the target range.

Among the factors likely to have boosted M3 by more than the figures for eligible liabilities suggest are further movements of funds between the banks and money markets. These have the effect of holding down eligible liabilities but not money supply.

The money stock may also have been boosted by the relatively high level of government borrowing, and will be subject to a small upward seasonal adjustment.

Other official statistics due this week include retail sales, released today, and average earnings, published by the Department of Employment on Wednesday.

The provisional figures for retail sales in September will provide an important pointer to the underlying strength of consumer spending, as no special factors are involved in this month.

Therefore it should be possible to tell how much the high level of spending in shops in August and July were influenced by the tax rebates paid from July 12.

The average earnings figure for August, the first month of Phase Four of the Government's pay policy, should provide some indication as to how the official 5 per cent limit is being observed. However, it will be too early to draw any firm conclusions.

Continued from Page 1

# Energy Bill

the Administration of some reduction in capital gains taxes, though the end-product provides much less of a bonus for tax-cutting advocates than had been demanded.

The Senate version would have exempted 70 per cent of all capital gains from the sale of stocks, real estate and other property from taxes.

The compromise cuts this to 60 per cent, which is nevertheless an increase from the present 50 per cent exemption.

In practice this means that the effective capital gains tax will be 28 per cent, which is the regular 70 per cent tax rate maximum on 40 per cent of realised capital gains.

The Administration had opposed swingeing reductions in capital gains taxes largely on the grounds that they are inequitable, benefiting only the wealthiest fraction of the population. But such was the groundswell of Congressional opinion in favour of such tax cuts that some accommodation appeared inevitable.

Otherwise, the Tax Bill compromise provides for a reduction in the corporate income tax rate to 46 per cent, beginning next year, and liberalisation of the 10 per cent investment tax credit, which would allow companies to offset 90 per cent of their other taxes, rather than the present 50 per cent.

Of the overall \$18.6bn in tax cuts, corporations should benefit to the tune of some \$6.9bn through the combination of capital gains and corporation tax reductions, while individuals will have to pay \$11.7bn less.

This is the sort of split between individual and corporate interests which is quite typical in American legislation of this nature.

To the Administration's satisfaction, Congress eschewed the deeper tax-cut options now in vogue, including those advanced by both Democrats and Republicans, which would have called for huge tax reductions in conjunction with sharp limitations on Federal spending.

The sum of the complex Congressional actions of the past 48 hours appears to constitute substantial reinforcement of Mr. Carter's image as a President who can get his way with Congress.

Continued from Page 1

# Finance Ministers

Under the so-called Belgian compromise, currencies would be defined in terms of the planned European Currency Unit (ECU), a weighted basket of all EEC currencies. But their maximum limits of fluctuation would be determined by a parity grid in which currencies would be directly related to each other, as in the present "snake."

The principal area of dispute concerns the extent to which countries would be obliged to take action when their currencies deviated from the central rates in the basket but had not reached their parity grid intervention limits.

Three main options, of progressive strictness, have been identified in a report by the monetary committee.

These range from a provision, favoured by the Germans and Dutch, which would merely require central banks and governments to hold consultations to an automatic obligation on authorities to intervene and discuss with other countries the corrective measures needed to bring the deviant currency back into line.

The latter option, favoured by Britain, Italy and some other countries, would defer settlement of debts incurred if the intervening currency was at its ceiling and no other currency was at its floor.

# Insurance groups urged to go down-market

BY ERIC SHORT

IF THE traditional life assurance business wished to expand business, it would need to look to clients among the artisan classes of the "C" and "D" socio-economic groups, Mr. Andrew O'Leary, assistant general manager of Clerical Medical and General Life Assurance Society, told the first conference of the British Insurance Brokers Association.

Such people had enhanced their incomes, but did not have the savings habit, said Mr. O'Leary. So far, neither brokers nor life companies had found a way ot reaching them and trapping the large market which their increased wealth represented.

Industrial life companies had for decades had contact with the lower classes, but Mr. O'Leary felt they had not translated it into a convincing market. It was interesting to consider how to approach such persons, and whether brokers could find an economic method of reaching them.

Mr. O'Leary pointed out that in recent years life companies had found it much harder to maintain their share of business, most of which came from the middle classes. Growth had come currently from pensions business.

Mr. B. Richardson, general manager of Provident Mutual Life Assurance Association, told the conference that house purchase life assurance sales were a very important source of new business for life companies. But he was disappointed that Capital Transfer Tax had not resulted in as much business as was expected.

# £100,000 gift to university

MR. CHARLES HUNNISETT, chairman of Hanningtons, a Brighton departmental store, has given £100,000 to Sussex University for medical research.

Income from the fund is expected to enable research into body-imaging to go ahead.

# Weather

UK TODAY

MAINLY dry and cloudy, with sunny intervals. Some rain in north.

London, S. England, E. Anglia, Midlands, S. Wales, Channel Islands

Mainly dry, cloudy, some sunny intervals. Max. 15C (59F).

N. England, N. Wales, Lakes, Isle of Man, Borders, Edinburgh, E., S.W. Scotland, N. Ireland

Cloudy, some rain. Max. 13C-15C (55F-59F).

Highlands, N. Scotland

Windy, some rain with sunny intervals. Max. 12C (54F).

Scottish Islands

Windy, cloudy, some rain. Max. 10C (50F).

Outlook

Windy, some rain. Becoming colder.

BUSINESS CENTRES

| | Y'day Midday | C° | F° | | Y'day Midday | C° | F° |
|---|---|---|---|---|---|---|---|
| Amsdm | C | 13 | 55 | Luxemb'g | S | 15 | 59 |
| Athens | F | 21 | 70 | Madrid | F | 20 | 68 |
| Bahrain | S | 31 | 88 | Manchstr | C | 13 | 55 |
| Barcelona | S | 23 | 73 | Melbourne | S | 19 | 66 |
| Belfast | C | 11 | 52 | Milan | S | 17 | 63 |
| Belgrade | S | 17 | 63 | Montreal | C | 3 | 38 |
| Berlin | C | 13 | 55 | Moscow | F | 15 | 59 |
| Brmghm | C | 15 | 59 | Munich | S | 16 | 61 |
| Bristol | C | 15 | 59 | Newcastle | R | 10 | 50 |
| Brussels | C | 13 | 55 | New York | C | 10 | 50 |
| Budapest | S | 17 | 63 | Oslo | S | 10 | 50 |
| B. Aires | C | 18 | 65 | Paris | C | 14 | 57 |
| Cairo | S | 33 | 91 | Perth | S | 20 | 68 |
| Cardiff | C | 14 | 57 | Prague | S | 13 | 55 |
| Chicago | R | 8 | 46 | Reykjavik | F | 6 | 43 |
| Cologne | S | 20 | 68 | Rio de J'o | C | 28 | 82 |
| Copnhagn | C | 11 | 52 | Rome | S | 22 | 72 |
| Dublin | C | 12 | 54 | Singapore | C | 30 | 86 |
| Edinbrgh | R | 11 | 52 | Stockholm | S | 10 | 50 |
| Frankfurt | Fg | 10 | 50 | Strasbrg | S | 13 | 55 |
| Geneva | F | 12 | 54 | Sydney | R | 17 | 63 |
| Glasgow | R | 10 | 50 | Tehran | S | 26 | 80 |
| Helsinki | S | 9 | 48 | Tokyo | C | 14 | 58 |
| H. Kong | S | 26 | 80 | Toronto | C | 5 | 42 |
| Jo'burg | S | 23 | 74 | Vienna | S | 13 | 55 |
| Lisbon | F | 23 | 73 | Warsaw | C | 10 | 50 |
| London | C | 15 | 59 | Zurich | C | 10 | 50 |

HOLIDAY RESORTS

| | Y'day Midday | C° | F° | | Y'day Midday | C° | F° |
|---|---|---|---|---|---|---|---|
| Ajaccio | S | 21 | 70 | Jersey | C | 16 | 61 |
| Algiers | F | 24 | 75 | Las Plms | S | 27 | 81 |
| Biarritz | C | 17 | 63 | Locarno | S | 19 | 66 |
| Blackpool | R | 13 | 55 | Majorca | F | 25 | 77 |
| Bordeaux | C | 17 | 63 | Malaga | F | 24 | 75 |
| Boulogne | C | 14 | 57 | Malta | C | 22 | 72 |
| Casablnca | F | 22 | 72 | Nairobi | S | 25 | 77 |
| Cape Twn | C | 20 | 68 | Naples | S | 21 | 70 |
| Dubrovnik | S | 20 | 68 | Nice | S | 20 | 68 |
| Faro | F | 23 | 73 | Nicosia | F | 27 | 81 |
| Florence | S | 19 | 66 | Oporto | F | 22 | 72 |
| Funchal | C | 23 | 73 | Rhodes | S | 23 | 73 |
| Gibraltar | C | 22 | 72 | Salzburg | S | 17 | 63 |
| Guernsey | C | 15 | 59 | Tangier | F | 23 | 73 |
| Innsbruck | S | 18 | 64 | Tenerife | S | 26 | 79 |
| Inverness | R | 10 | 50 | Tunis | S | 24 | 75 |
| I. of Man | R | 11 | 52 | Valencia | F | 23 | 73 |
| Istanbul | F | 19 | 66 | Venice | S | 19 | 66 |

S—Sunny. C—Cloudy. R—Rain. F—Fair. Fg—Fog.



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